

ECONOMIC DEVELOPMENT *and Cultural Change*



THE UNIVERSITY OF CHICAGO
Research Center
in Economic Development and Cultural Change

ECONOMIC DEVELOPMENT

AND CULTURAL CHANGE

A journal designed for exploratory discussion of the problems of economic and cultural change. Preliminary versions of research findings and research hypotheses are welcomed in the interest of provoking constructive and fruitful discussion.

R. Richard Wohl, Editor

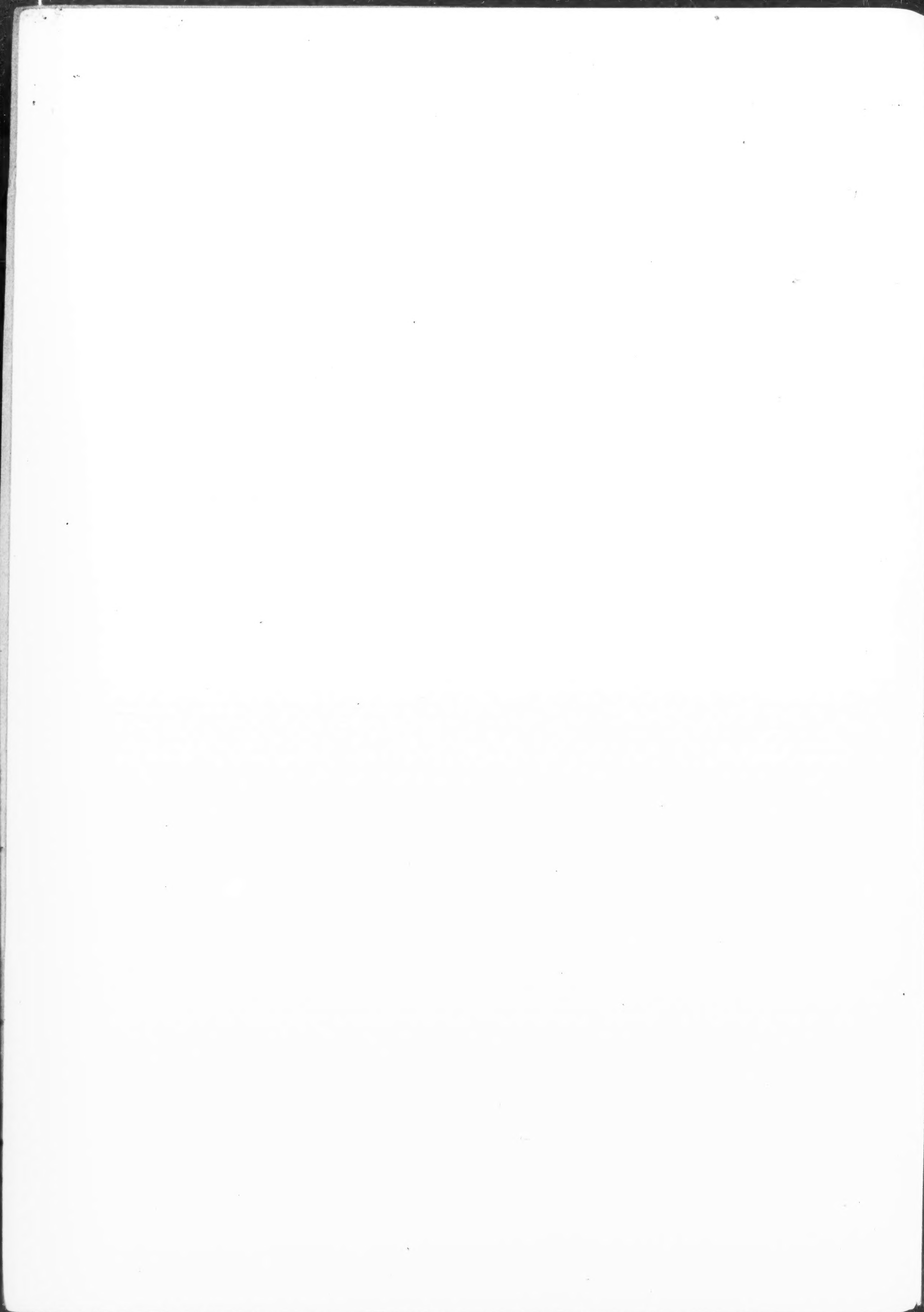
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EDITORIAL*

There is no theory which deals with the problems of economic development and cultural change and which is generally satisfactory to social scientists. The considerable attention which has been devoted to such problems in recent years, therefore, has resulted in disparate insights which illuminate individual trees in a forest whose size, shape and nature has remained obscure. Because of the absence of a theoretical framework, discussions in this area generally do not arrive at any consensus; they remain presentations of individual viewpoints or at best they produce long lists of "important" but unranked factors.

Further, even a casual glance at the existing literature reveals not only the absence of a satisfactory theory, but also the absence of agreement as to which of the many problems apparent to the observer are important for study. The research worker seeking pathways leading to an adequate theory finds no blazed trails, but instead a veritable jungle of vicious circles, obstacles to change, and necessary (but never sufficient) preconditions for economic growth.

The difficulty of precise definition and measurement of economic development need not detain us. We are interested ultimately in the increase of material welfare, however measured; this is true not only because of our Western cultural bias in this direction, but also because it is precisely such aspirations, expressed with urgency by non-Western peoples, which have compelled recent Western consideration of the matter. Further, our problem can be limited to areas where the problem is now in fact urgent -- i.e., those countries or areas now generally referred to as "underdeveloped." Again regardless of the tools of measurement, the disparity in levels of living among the peoples of the world makes it relatively simple to distinguish between "advanced" and "underdeveloped" countries. These statements are not intended to minimize the problems of measurement, but merely to define the larger problem without worrying too much about numerical magnitudes at this early stage of analysis.

We can further limit our problem by distinguishing between two types of economic growth. (While economic change can be a two-way process, and decline can occur as well as increase in the variables comprising welfare, we are here primarily concerned with the study of the conditions of progress.) No society is static; evidence of change can be found even in those societies superficially appearing stagnant. But a slow quantitative accretion of changes in the arts can be distinguished from the rapid rate of growth associated with the qualitative and self-sustaining transition from subsistence to more "elevated" levels of living. The observable unevenness of historical rates of change therefore suggests that we should concentrate our study upon the conditions of changes which occur rapidly and in groups.

*These very general observations are an attempt by the Research Center in Economic Development and Cultural Change to state one possible framework designed to give coherent sequence to our discussions. It is designed to stimulate discussion of possible approaches to the problems raised, rather than to pronounce settled judgments on their nature and dimensions. This statement was written for the Center by Alexander J. Morin.

Two critical differences affect our study in comparing present-day rapid progress and that of earlier historical periods. In the first place, the development of the West has created an environment in which local progress will inevitably consist in large part of selective imitation and adaptation from this environment. The problem of economic growth in presently underdeveloped areas therefore can be viewed as one involving the transmittal of culture rather than simply one of local innovation. Secondly, no area of the world has been wholly free from the political and economic dominance of the West, in one form or another. The demand for progress in underdeveloped areas has been coupled with a demand for freedom from such dependence. As contrasted with earlier developmental histories, this means that the present drive is not only one of conscious urgency and more systematic planning, but one which has as an objective self-sustained economic independence from the West.

I. Resource Patterns and Utilization

The level and kind of natural resources available for economic use are not independent of the level and kind of technology applied to them, but insofar as resource patterns differ among areas, and insofar as historical conditions of their use have developed, they set limits to the directions in which change can move. Similar observations apply to the general demographic problem. The significance of a population to development varies with its size, density, composition and skills and these elements are themselves functions of the level of development already attained. But at any given time the existing population characteristics act to direct the nature and rapidity of the developmental process.

The critical question here concerns the relationships between variant resource and population problems, on the one hand, and on the other the social and economic structures and institutions affecting development. Insofar as an area is involved in a trade network, the extent and kind of specialized exploitation of resources which occurs may be in effect imposed from the outside. But such systems of comparative advantage are not immutable, and with unchanging resource endowments, changing social and economic circumstances may direct further growth into a variety of channels.

This continuous interaction of the physical and social environments poses a host of subsidiary problems which must be studied. If we are concerned with the central process of development itself, however, particular resource and population patterns may condition economic growth, but do not provide the dynamic impetus for its occurrence.

II. Capital Mobilization and Control

From a technical standpoint, a substantial rise of levels of living above the subsistence level can occur only through the use of productive resources in activities designed to meet more than immediate consumption needs. For this to occur, two things are necessary: (1) the resources available to the economy, from internal or external sources, must be more than sufficient at the given level of technology to meet the minimum demands of its population for subsistence, and (2) there must be social arrangements whereby these real savings are directed into productive channels. The willingness to make productive investments (which will increase output) is as important, in these areas, as are the resources themselves.

It is frequently said, and most often in the underdeveloped countries themselves, that the greatest single obstacle to development is their inadequate capital resources, i.e., failure to meet the first of the conditions stated above. This problem has been over-emphasized. Real savings -- output not used for immediate consumption purposes -- occur in all known societies. They are difficult to measure, especially by Western monetary standards, but there is reason to believe that study would show very substantial real savings going on in those countries now considered underdeveloped.

The great difficulty lies not here, but in the problem of transferring these real savings (or externally derived capital, for that matter) into productive investment channels. The provision of capital by itself, important though it is, affects development no more than the existence of natural and human resources which could be exploited; whether or not these facilities are used at all, and the ways in which they are used, depends upon the economic and social structures of the peoples involved and the system of income production and distribution which is established.

The complex and various sets of remedies, in situations of self-perpetuating failure to invest in output-increasing activities, deserve close attention. The range of social choice is wide, between devices intended to encourage voluntary savings or to require forced savings, and between decentralized voluntarism and coercive centralism in directing investment; the choice in any case, when made, will vary with the historically established patterns of social and economic behavior and with the nature of the social forces compelling change when it occurs.

III. Social Structures, Dynamics and Controls

The previous sections have pointed the way toward a statement of the central problem of the conditions of rapid economic development. It may be put in the form of the following tentative hypothesis: Economic development will occur where a social group (defined in terms of common aspirations and ideologies) achieves effective control of the capital- and income-allocating devices of the economy, and is committed to use them, for whatever reasons, in such a way as to increase the physical output of the economy as a whole.

Attention should be paid to the theoretical assumption that development involves particular social groups which perform the main innovating function. It can be observed historically that where development has taken place, it has been organized and led by a relatively small, self-conscious social group using control of economic growth as a means of achieving and maintaining power and status in the society. These groups have varied in function in the old social structure, from the merchants and manufacturers of England to the Communist Party of the Soviet Union, but they have in common their role as leaders of innovation. Implicit in this observation is a concept of the general nature of social change -- that it occurs out of the competition of such distinct functional groups in their efforts to achieve the common aspirations of their members. Even if the accuracy of this is granted, it is based on the clarity of historical hindsight, and ex ante identification of such social groups is an extremely difficult problem.

The critical social instruments affecting economic development are those whereby resources are allocated to various productive ends and income is distributed to various individuals and functional groups. For growth, these instruments obviously must

be controlled by those who wish to use them for the establishment of output-increasing activities. Such control may imply in addition either political or military power or both; at the least, it is essential that the government and the military play neutral, if not helpful, roles in the process. The social structure and the forms of control which exist are inter-related; the nature of these relationships requires examination.

For economic development to occur, a group which does come to control the economy in the way described must base its activities upon an ideology which systematically encourages productive (output-increasing) investment. As a tentative generalization worthy of study it might be said that since the sort of control we are talking about can be achieved by self-conscious effort (as, for example, by guns and propaganda), those groups will come to power which are best able to utilize advanced and objective techniques of manipulating their environment. This implies that, over a long period of time, those groups would win in our hypothetical competition which used more efficient economic and social tools. But, while a historical view may indicate a selective process whereby the rise of particular groups to power can be explained, it does not follow in modern times any more than in earlier ones that such groups will use their power for purposes of "development" in our terms. This is in fact particularly true at present, since the more advanced West presents to underdeveloped areas a wide array of tools of control from which to choose, not all of which contribute to the goal we have in mind. Western military and propaganda devices are the most easily assimilated of the techniques of the industrial world, and are as easily used to bolster a social structure which retards growth as to aid in social change favoring growth.

Stress here should be laid on the problems of identifying functional social groups fulfilling our conditions, and of relating such groups, with their various origins and particular roles, to the social and economic structures of the society in which they arise.

IV. The Labor Force and Industrialization

Economic development is currently proposed in a direction which emphasizes national economic independence for the countries involved. While this need not imply autarky as a major objective, it does imply the rejection of an economy based mainly on the export of agricultural products in favor of one in which industrial output plays an increasingly important role. Since all of the presently underdeveloped areas are predominantly agricultural, development therefore means the creation of an industrial labor force of some size by a large-scale transfer of workers out of farming.

From another standpoint, however, it may be hypothesized that the creation of such a labor force is not only a consequence but in itself a condition of cumulative and self-perpetuating development. We have argued that rapid growth requires the existence of a particular sort of leadership group -- but the seed they sow cannot bear without a suitable field. What, if any can be defined, are the characteristics of a population which encourage continuous growth of the economy? Marion Levy has suggested the following, for closer study: rationalism (the use of critical scientific standards), universalistic criteria of choice (based on function and performance rather than on status), and functional specificity in relationships (in which rights and obligations are clearly defined).

Regardless of the form of the statement, such characteristics are attributes of an industrialized society, in that they seem to grow out of the objective evaluations of time and effort and the social interdependencies and specializations required typically by factory techniques of production. If study indicates the accuracy of this hypothesis, it is clear that development cannot be self-sustaining in the absence of these social values. (It should be noted that historically they are associated not only with factory techniques but also with urban life; therefore the relationship of urbanization and economic development deserves attention.) And if, as appears to be true, such values do not grow out of the work relationships typical of agriculture in underdeveloped areas, even the activity of a self-conscious innovating leadership will not sustain growth unless there is created a large industrial population to sustain and feed the drive for greater output.

V. Values and Ideologies

Here the crucial questions not already discussed concern the possibility of relating (in both directions) particular sets of ideologies and their constituent values to particular social and economic structures, and of determining those values of particular cultures, of various degrees of malleability, which aid or hinder the developmental process. We frankly admit that this whole problem is of such difficulty that we must await more knowledge on the functioning of societies than we now have, before we can go much further.

It might be possible, however, to observe certain regularities among the societies in which the ideologies and values we characterize as "industrial" or "scientific" have become the doctrines of social leadership groups. We suggest that they grow out of the fact that such ideologies can unite a very broad population base behind an aspiring elite. This is obviously not a simple or a direct relationship. Other sets of values, and notably those lying behind extreme nationalism, have a similar unifying effect and may be quite inconsistent with economic development. Further, in recent years native populations have often aspired to economic progress and united behind a leadership using such slogans without having the "ascetic" values necessary to rapid accumulation and investment of capital. The causal sequence between mass disturbances and aspirations, and the existence of a suitable leadership group with a suitable ideology is by no means clear.

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NON-ECONOMIC BARRIERS TO ECONOMIC DEVELOPMENT*

Although discussion of economic development is currently widespread there is little conscious agreement of what are its implications. Above all, there is confusion over whether the process of economic development can be regarded as a slow evolution of new forms of economic activity, or whether (and to what extent) it consists in a sharp break with the past and the sudden introduction of new forms. But in addition to ambiguity surrounding the notions of the speed with which economic change occurs, there is confusion with regard to the depth to which it penetrates. Does economic development mean only a change in certain aspects of overt behavior, notably the acquisition of new skills or the exercise of new forms of productive activity, or is it accompanied by or contingent upon more basic changes in social relations and even the structure of values and beliefs of a culture?

These problems are, essentially, questions of definition and theory and rather than discussing them at this point, I shall assume that economic development, especially if it involves industrialization, implies a rapid, and in a sense, revolutionary process which, if it is to take root in a society, must penetrate widely and deeply and hence affects the social structural and cultural facets of a society. In other words, economic development consists not merely in a change of production techniques, but also, in the last resort, in a reorientation of social norms and values. Any analysis of economic development which is to be fruitful and complete must include a set of propositions relating changes in production techniques to changes in values.

Most past attempts at bringing about economic development can be viewed as proceeding from either one of these extremes. Current proposals, especially those made by some publicists who are well-intentioned but often ill-informed, and even those made by some spokesmen for government agencies or international organizations, appear to be based on notions very close to a theory of economic determinism. If the underdeveloped countries were only supplied with capital in appropriate form valued at several billion dollars annually -- so the argument runs -- their economy and presumably their society would be changed drastically. Even a conservative interpretation of this view comes to the result that economic changes, notably the introduction of new techniques and new capital instruments, are a necessary prerequisite, and indeed the most likely path by which social behavior patterns and cultural norms can be changed. (1) However it is doubtful whether the transformation of a society can be explained

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A paper delivered before Section K of the American Association for the Advancement of Science, December 27, 1951, at Philadelphia, Pennsylvania.

- (1) This view is expressed in its most simple form by Benjamin A. Javits, Peace by Investment, New York, 1950, and Willard R. Espy, Bold New Program, New York, 1950. Although he does not adhere to a simple theory of economic determinism such a functional relationship between variables is assumed by Kingsley Davis, when he says in speaking of the Indian population problem that "any policy that would rapidly industrialize Pakistan and India would

in such simple fashion and there is no doubt that the obstinacy with which people hold to traditional values, even in the face of a rapidly changing technology and economic organization may impose obstacles of formidable proportions.

It may be asked whether a more fruitful procedure may not be the attempt to alter values first and to expect that this will create a climate favorable for new economic forms and processes. But it appears, from theoretical reflection and historical experience, that this method has little chance of success. We have the testimony of our most distinguished anthropologists who argue that a diffusion of values or value systems is impossible. (2) The historical experiences, notwithstanding the success of some individual missionaries, confirms this. In those instances in which religious conversions of whole societies were attempted, as in the case of the Spanish and Portuguese colonies, the long-run effects on social structure and the economy have been negligible; we also note failure of attempts to remodel only secular values, while leaving the religion undisturbed, as was the case in upper Burma, where the British tried to replace traditional quasi-tribal social relations by a social system based on the free market and the rule of law. The result was negative; Burma experienced social disorganization on a large scale, culminating in gang warfare and a formidable increase of violent crimes; the expected positive results were not forthcoming. Although there was great improvement in output, there was little improvement in the level of living of the average Burman and the allocation of developmentally most significant functions continued to be influenced strongly by status considerations rather than considerations of equity and efficiency. (3)

If we try to interpret the aspirations of the presently economically less advanced countries, we find there also a strange ambiguity which appears to be the result of partial unawareness of the close interconnectedness of economic advancement and cultural change. For the spokesmen of the poorer countries most emphatically favor economic progress resulting in an elevation of general levels of living, and blame their poverty on previous colonial status or quasi-colonial imperialistic exploitation. At the same time their rejection of colonialism and imperialism manifests itself in a heightened sense of nationalism, the symbolic expression of which consists in the repudiation of foreign philosophies and external behavior patterns and the reaffirmation of traditionally honored ways of acting and thinking. For example, the nationalism in Gandhi's independence movement was associated with the return to highly inefficient methods of traditional

be a far greater shock to the basic social institutions than would any policy that attacked fertility directly. Fast industrialization would sweep both the ryot and the zamindar from their moorings, transforming them into workers in a collectivized mechanized agriculture utterly foreign to their habits." "The Economic Demography of India and Pakistan" in Phillips Talbot, ed., South Asia in the World Today, Chicago, 1950, pp. 104-105.

- (2) See for example, Ralph Linton, The Study of Man, New York, 1936, p. 339.
- (3) For an analysis of the Burmese experience see J. S. Furnivall, Colonial Policy and Practice, Cambridge, 1948.

Indian activity, and in present-day Burma independence is not only accompanied by a resumption of traditional names and dress, but a strengthening of Buddhism, a religion which reflects an ideology totally opposed to efficient, progressive economic activity. The realization of economic advancement meets thus with numerous obstacles and impediments. Many of these obstacles are in the realm of economic relations: there is scarcity of capital, there is a demand for new skills and new techniques, there is a need for better roads and improved systems of communication, for public utilities and new sources of power. But some of the impediments to economic progress are beyond the area of economic relations. If the observation is made that among the prerequisites of economic development is the growth of a middle class, or the evolution of a spirit of venturesomeness, or the elimination of corruption among officialdom, we are confronted with changes in the social organization and culture of a people rather than in its economy. I propose to discuss in the remainder of this paper some of these non-economic "factors" which are yet too little explored, but which appear to exercise a strong negative and positive influence on the attainment of economic betterment.

If we ask how technological or economic innovations are introduced in a society we immediately encounter two problems. One is the question of which innovations will be adopted with different degrees of ease and which will be rejected, and the other is the question of what person or group of persons performs the tasks of adopting and further spreading the new techniques in a society. Within the context of this paper the first question is of subordinated importance, since we are not dealing with specific innovations but the general problem of development and all underdeveloped countries are eager to accept more modern forms of economic activity, although for diverse reasons some of them may reject one or the other type. For example, though India may reject or hesitate to adopt modern methods of meat packing, it is eager to introduce other industries. But the second question, who carries the main burden in the process of innovation, is of great interest to us; evidence for this is the fact that in discussing economic development emphasis has so often been placed on the presence or absence of certain social groups exhibiting particular attitudes (e.g. venturesomeness) or performing special roles (e.g. bureaucracy, "middle class"). In somewhat different terms, we may say that economic development requires the formation of a social group which constitutes the spearhead of different kinds of innovations.

It is plain from these considerations that one of the prerequisites of economic and technical advancement is a high degree of social mobility. If, for whatever reasons, social advancement of people in less privileged ranks in society is made difficult, or if the cleavages in status, power, and wealth between different social groups is great, an impediment to economic development of considerable magnitude is thereby in existence. Very primitive societies apart, the main status-determining factors are wealth, political power, and education. The ideal form of the liberal state is based on the assumption that each of these factors will be in the hands of a different social group or class and that in addition to the separation of powers in the political field, there will be a "balance" of social power and status. It will be remembered that an important aspect of the Marxian criticism of "bourgeois capitalism" was based on the assertion that this separation did not exist, or existed only in appearance and that, in Engels' words, "the modern state no matter what its form is essentially a capitalist machine, the state of the capitalists." (4)

(4) Friedrich Engels, Socialism, Utopian and Scientific, Chicago (Charles H. Kerr Co.,) 1902, p. 123.

Now whether or not this statement was true of the nations of nineteenth century Europe, the social situation on which it is based is true of many underdeveloped countries today. In many of these countries, wealth, political power, and education are concentrated in a small group of people, and not infrequently the very individuals who control political power are also the richest and best educated men in the society. But this very monopoly of status-conferring factors is an impediment to economic development. The gap between the privileged and the masses, between the rulers and the ruled, is immense and there is nothing to fill it. But even to the extent to which this gap is being filled by an incipient middle class consisting chiefly of educators, government officials, and members of the intelligentsia, this group must, in order to assure its maintenance, either align itself with the ruling group or suffer being pushed into positions of harsh antagonism to that group. Hence intellectuals often attain positions of leadership among the discontented, the unprivileged, the poor; hence the appeal the communist ideology exerts on intellectuals in underdeveloped countries; hence also the enhanced social cleavage which becomes little, if at all, mitigated by the rise of the middle class. The cleavage of the world into two antagonistic camps becomes reflected in the political and ideological issues in a developing country and the possibility of evolutionary development toward higher levels of living disappears more and more as a practical third alternative between either the maintenance of social status quo or the revolution which threatens to throw the country into the arms of communism. If the issues are seen in this light the rigidities of the class structure in many underdeveloped countries become understandable. But the very sharpening of the issues, the fact that many enlightened people see as the only alternative to the maintenance of the existing class structure a communist revulsion makes them reluctant to advocate rapid and decisive innovations which, if they are to take root, inevitably affect the social status quo. Hence technical and economic innovations, if sponsored at all, are received with the greatest caution, are severely limited in application, and are often permitted only as token or symbolic performances.

Another obstacle to economic development which is located in conditions in underdeveloped countries is the nature of their aspirations and the form in which the realization of these aspirations is pictured. In more concrete terms this may be stated by saying that economic development plans are often unrealistic and divorced from the more immediate needs and productive capacities of these countries. I have drawn attention earlier to the ambiguity of simultaneously aiming at economic progress and the preservation of national and cultural traditions. But there is also an ambiguity in the thinking of many leaders of underdeveloped countries between the objectives of developmental efforts and practicable attainments. The point is sometimes stated in a rather drastic form by emphasizing the fact that many development plans fostered by underdeveloped governments give a high priority to the establishment of steel mills and other forms of heavy industry even though such plants may have little justification on the basis of considerations of efficiency and rational allocation of resources. We may look at this matter from two points of view. We may either regard the wish for a steel mill as a childish, irrational desire which only merits ridicule. But we may also regard it as a symbolic expression of the wish for industrialization, and the implicit acknowledgement of the fact that little is known about the priorities and time sequence of such a process. I would regard it as evidence of the latter alternative, and here the obstacle to fruitful development is founded on defective knowledge and consequent inability to make rational workable plans.

In spite of numerous surveys of natural resources, soil types, and other environmental factors, knowledge of the natural endowment as well as the human resources of most underdeveloped countries is very imperfect. The United Nations and its specialized agencies have often been confronted by this fact. A mission of experts sent to Haiti produced a voluminous report on developmental possibilities in that country. Yet the chief impression one gains from reading the report of that mission is the frequent repetition of the statement that fruitful recommendations cannot be made because of the absence of reliable information. (5) Similarly, the International Bank for Reconstruction and Development and the Food and Agriculture Organization have been hamstrung in actually carrying through developmental projects for which funds would have been available, simply because workable projects which could withstand the careful scrutiny of experts were not forthcoming.

Ignorance is always an obstacle to rational action. But in the case of economic development it is doubly fatal, because in this case action cannot be postponed for political or morale reasons. The consequence is that on the one hand programs are undertaken in fields where obvious needs for improvement exist (such as public health, for example) which, however, cannot maintain themselves because the necessary concomitant adjustments in the economy lag behind, and on the other hand that short-run programs are initiated which tend to lead to such allocation of resources (and hence to certain new rigidities and vested interests) as to make the attainment of the long-run objective more difficult. Evidence for both contingencies is frequent. As concerns public health programs, the attempts at control of tropical diseases are very instructive. For example, yaws and malaria are dreaded diseases in Haiti. A campaign to control yaws in the Marbial valley failed to have lasting results, although inoculation with antibiotics led to temporary relief, because the economic status of the mass of the population was not elevated enough to permit them to meet the most elementary standards of cleanliness. A swamp drainage project designed to eliminate carriers of malaria fell into disrepair after a few years, the drainage canals became stopped up and large expenditures turned out to have been in vain, because owing to indifference, corruption, and mismanagement the project was not kept going properly after its foreign initiators had left. (6)

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- (5) United Nations, Mission to Haiti, New York, 1949, passim, but esp. pp. 12-22. This situation is by no means limited to Haiti, but all missions of the United Nations and its specialized agencies in underdeveloped countries encounter not only ignorance of technical procedures, but also ignorance of the most elementary facts.

The situation is not better in countries which publish statistics. As a rule these statistics are wrong and hence misleading. Inspection by the writer of the statistical and information services maintained in El Salvador, for example, reveal that with the exception of a few series (notably foreign trade and monetary and banking statistics) published figures are unreliable and Salvadoran administrators do not believe in them. At the same time large numbers of reports by industrial inspectors and other petty administrators on wages, prices, and other economically significant data are filed in government offices without ever being used as raw material for the compilation of figures published by the statistical office.

- (6) Ibid., p. 69.

Examples for the conflict between short-run and long-run aims are also frequent. For many "one-crop" countries it presents a real dilemma. The long-run objective of economic development programs for these countries is greater diversification of production, to make them less dependent on one or two or three staple exports, the prices of which are determined on the world market, subjecting, in this way, the international accounts of the one-crop country to great uncertainties and often violent fluctuations. At the same time the major export industry deserves full support in the short-run because it is the chief asset producing foreign exchange which, in the absence of generous loans or foreign aid, provides the wherewithal for economic development. The experience with coffee planters in some Latin American countries and rubber planters in some countries of South East Asia shows the restraining influence on long-run plans of economic diversification exercised by vested interests in an important export industry.

Another instance of conflict between short-run and long-run objectives of economic development plans is reported by Wilbert E. Moore. Moore believes that the Ejido, although it "alleviated the immediate economic ills of the Mexican rural population . . . it did . . . make possible a re-establishment of the partially isolated village, agricultural underemployment, and all the conservative traditions of a land-hungry peasantry . . . All indirect evidence indicates that in terms of long-run developments the Ejido was a strongly conservative move in the strict sense; that is, the possible increase in market orientation, improved education, and productive technique seems to have been offset by re-establishing the traditional village." (7)

Professor Moore here again points to the fact that the implementation of short-run objectives creates vested interests which impede the full realization of the long-run developmental goals. But the nature of the vested interests in this case is very different from that of the vested interests fostered by the extension of an export crop in a "one-crop" country. In the latter case these vested interests are based chiefly on the expectation of economic gain, in the former case they consist in the rejuvenation of a traditional way of life which, in many of its aspects, is opposed to economic progress.

I believe that the dilemma found by Professor Moore in Mexico poses a general problem, notably for areas in which an extension of agricultural settlement is still possible. The fact that some underdeveloped countries, in spite of great rural population density in certain localities, have still considerable areas of uncultivated arable land, is often regarded as fortunate. In a country like India or Egypt, where further horizontal expansion of agriculture is virtually impossible, economic development is pushed necessarily into the channels of industrialization accompanied by intensification of agriculture, i.e., the application of policies resulting in higher yields per acre. This process is accompanied in all likelihood by a rapid increase of the population, and, since industrialization is associated with urbanization, by an increase in the required quantity of real output per family or productively employed individual. It is probable that under these conditions increase in agricultural productivity will not be commensurate with increase in demand for products grown on the land (foods, fibers, hides, and skins, chemical raw materials, such as oils and lumber), and the scarcity of economically usable

(7) Wilbert E. Moore, Industrialization and Labor, Ithaca, 1951, pp. 237-238.

land becomes a serious bottleneck to development. On the other hand, countries in which substantial areas of unused land are still available can syphon off part of the developing population surplus by settling it on new lands, and can simultaneously expand the output of agricultural raw materials with the increasing demand for such materials by developing industry.

Looked at purely from the viewpoint of the strategy of resource allocation planning in the short run this group of countries (among which belong most countries of South East Asia, the Middle East, and Latin America) is therefore in a position in which rational planning may mitigate the economic sacrifices involved in industrialization. But the existence of an agricultural frontier and the knowledge that such a frontier exists exerts an influence on policies actually made. As Professor Moore has shown in his book referred to earlier, recruitment of large masses of peasants and primitives for industry is a hard task. Resettlement may not be much easier, but it may be more acceptable to some native peoples than induction into the industrial labor force. To the extent, therefore, to which local population pressure is mitigated by resettlement -- as for example by moving people in the Philippines from Luzon to Davao, or in Indonesia from Java to the outer islands -- the traditional agricultural way of life with its pre-industrial and non-rational aspects (in Max Weber's sense) is given a new lease of life and industrial progress made more difficult.

In essence the conflict between the two ways of life is a conflict of values. Just as Hinayana Buddhism in Burma, with its other-worldly orientation, calls forth a philosophy of life which is not conducive to economic advancement, so the strengthening of traditional methods of small scale agriculture reinforces the system of values which may have flowered into great cultural achievements in the past, but which it has been impossible to adapt to rational, efficient, economic activity. This conflict in values has sometimes been expressed as the antagonism between city and countryside, the mutual estrangement between the urban and the rural inhabitant. To a contemporary American, and perhaps also to a contemporary European, this distinction may appear spurious. But it is a difference which is obvious to a student of the social structure of oriental societies and it crops up every now and then in the sociological literature of the eighteenth and early nineteenth century.

Among earlier writers in the field of social science most persistent attention to this problem was given by Karl Marx. References to the cleavage between the city and the countryside run through his works from the early 1840's to the end of his life. The tersest formulation which he ever gave to this problem is a passage in Capital. He says:

"The foundation of every division of labor that is well developed and brought about by the exchange of commodities is the separation between town and country. It may be said that the whole economical history of society is summed up in the movement of this antithesis." (8)

Although these words refer primarily to the difference in the forms of economic organization between medieval and capitalist Europe, they imply, and other writings plainly show, his recognition of this difference in the entire way of life on the

(8) Karl Marx, Capital, Chicago (Charles H. Kerr Co.), 1903, vol. I, p. 387.

land and in the cities in countries with a non-capitalistic, small-scale primitive agriculture. In Western Europe the transition from one way of life to the other -- and the values implied in each of them -- took place during three or four hundred years, and was aided by enclosure acts, "Bauern legen," pauperization, the adaptation of the Calvinist ideology to the objectives of the commercial and industrial middle class, and other measures which turned the rolling green hills of Warwickshire and the Tyneside into the "Black Country" and the fields and wastes of Lancashire into the cotton center of the world.

I am not expressing nostalgic regrets over the passing of the European middle ages, but I am trying to indicate that parallel with the external change in the landscape the minds and aspirations of men, the things they valued and were taught to value, changed; and with this in mind it is perhaps not quite wrong to say that the England or France of the thirteenth century resembled more the present Middle East or South East Asia, than the England or France of our day.

As has been pointed out earlier value systems offer special resistances to change, but without wishing to be dogmatic, I believe, it may be stated that their change is facilitated if the material economic environment in which they can flourish is destroyed or weakened. This seems to be the experience from the history of Western European economic development, and it seems to be confirmed by the findings of students of colonial policy and administration, and research results on the impact of industrialization in underdeveloped countries. Economic development plans which combine industrialization with an extension of traditional or near-traditional forms of agriculture are thus creating a dilemma which in the long run may present serious repercussions on the speed and facility with which ultimate objectives can be reached. This does not mean that, wherever this is possible, extension of agricultural production should not be undertaken in combination with industrialization. But rural resettlement should be regarded as a form of industrialization rather than an extension of traditional methods of farming. In view of existing pressures and the absence in almost all underdeveloped countries of an efficient administrative apparatus the difficulties which such a program confronts are obvious.

Reference to the experience of the transition from medieval to modern economic organization in Western Europe brings to mind another important factor which may prove to be a serious obstacle to technological advancement. This obstacle is found in the changes required in methods of work and levels of skill which necessarily accompany technical change and alterations in the scope and form of economic activity. Little needs to be said here about these two points since much of the relevant evidence has been collected by Professor Moore in his book. (9) From these remarks it appears that these obstacles, although real, are less significant than those opposing economic development because of vested interests of an elite, or the vigor of a non-industrial system of values. To a certain extent resistances against new modes of technical and economic processes and changing kinds and levels of skill are specific aspects of the two last-named factors. But since from the socio-psychological point of view economic development may be interpreted above all as a change in the division of social labor, some special attention to skills and modes of work appears to be in order.

(9) Moore, op. cit., pp. 44-47, 55-59, 90-94, 114-126, 274-278, and 308-310.

Confining ourselves, at first, to a discussion of skills, the first question which might be raised is whether economic development requires a transition from less complex to more complex skills or vice versa. This question is impossible to answer because there exists no generally agreed upon classification of skills in terms of their complexity, and even if it existed the answer would be ambiguous. Certainly the manual skill of a hand-loom weaver is superior to that of a man who runs a power-loom, but the skill of the mechanic who tends the power-loom and keeps it in repair is probably superior to that of the hand-loom weaver. In general, it may be said, that mechanization, by "putting the skill into the machine" has two opposite effects. It simplifies many manual operations and makes possible the rapid training of large numbers of unskilled or semi-skilled workers. It thus creates a large demand for people whose skill level is indifferent and who can acquire the necessary manipulatory accomplishments by a process of on-the-job training. At the same time it requires the development of a group of men, foremen, engineers, technical maintenance men, petty administrators and others capable of rendering services which often require not only a high level of dexterity but a considerable variety of aptitudes. Now, I suppose that you have all heard of the African native mechanic who, in some relatively isolated place in the Sudan, repairs and keeps going with some wire and pieces of sheet metal a model T Ford, which in this country would be considered fit only for the junk heap. These men exist, and I am far from denying their dexterity and ingenuity. But they belong in the same class as the Chinese ivory worker who produced the most delicately carved decorations of a cigarette-case, and the anonymous medieval stone-cutter who chiseled the capitals of the Gothic cathedrals of France. It is granted that human capacity for the exercise of highly skilled tasks, that human ingenuity, that human intelligence is fairly evenly distributed over the globe. The problem of developing a group of skilled technicians is not a psychological question of the capacity of persons in underdeveloped countries to learn, but a social problem: the creation of attitudes and material and psychological compensations which will make the choice of such careers attractive. In other words, the question we must ask is not: "How can the people of technically less advanced countries learn the modern techniques?" but: "Will they learn them, and how can they be induced to want to learn them?"

It will readily be acknowledged that if the question is put in this form the answer which is suggested involves a whole series of complex social-psychological processes, which may be regarded as special cases of the general problem of the development and institutionalization of culturally deviant behavior. It would go beyond the proper boundaries of this paper to enter into a detailed discussion of the processes which determine the genesis and direction of deviant motivations, (10) but I believe that the identification of the problem area in which the acquisition of new skills and work methods falls indicates the magnitude of the problem and suggests the variety of obstacles which must be overcome to provide for the institutionalization of a new pattern of division of social labor.

(10) On this problem see the brilliant comments by Talcott Parsons, The Social System, Glencoe, 1951, pp. 249 ff. I have discussed the problem of deviance with special reference to economic development in an as yet unpublished paper, "Cultural Marginality and the Emergence of New Forms of Economic Action."

Let us now turn to a short consideration of one or two factors having their source in advanced countries which may strongly affect the speed and direction of economic development in the less developed countries. Needless to say that these observations are relevant only if the advanced countries are participating in some fashion, by means of loans, grants, or technical aid in the development of underdeveloped countries. In view of the Point Four program of the United States and the concern of the United Nations and its specialized agencies with technical aid programs, a discussion of these points appears pertinent.

The motives for extending the aid may be mixed, they are in part humanitarian, in part based on the conception that poverty is infectious, or that underdeveloped countries form power vacua and hence invite aggression, and in part on the expectation that the development of less advanced countries by affecting the international specialization of production will have beneficial effects on the foreign trade of advanced countries. Now it is easy to see that in those cases in which foreign aid is tendered by an advanced country with the chief object of building up greater economic or political strength for itself or its side, it will be more concerned with serving these ends than with policies designed to optimally affect real income levels in an aid-receiving country. It may even grant aid only on condition that the receiving country commits itself to a particular political ideology or joins a defensive alliance.

This procedure results in "tied" aid. The aid giving country insists that the developing country meet several objectives at once, of which economic advancement is only one and certain internal and international political goals are others. This situation puts the developing country in a dilemma, since the meeting of the several objectives simultaneously may call for conflicting policies. Even for the countries of Western Europe the need of increased expenditures for defense purposes imposed a serious problem. For they were either forced to seriously modify their internal development programs which had been designed to make their economies more viable in the world economic picture, or to depend more heavily on continued American aid, or to drastically lower domestic living standards. Not much argument is needed to show that the last two alternatives are likely to be unpopular both with the peoples and the governments of the countries of Western Europe. Hence the development plans, designed to improve living standards, had to be modified in order to make possible increased efforts of building up armed strength. But the nations of Western Europe belong to the group of economically more advanced countries, and thus, a series of alternative steps were open to them which provided them with the possibility of achieving a more or less neat balance between the various policies. In an underdeveloped country this may not be possible, and it may be put before the alternative of either having to abandon virtually all its development plans for the raising of domestic living standards, or to fail in the fulfillment of its international obligations. The former alternative might have disastrous consequences for the government in power in the underdeveloped country and the latter might expose it to criticism and possible discrimination from abroad which also would not be conducive to efficient economic and technical advancement.

This whole set of problems is fully recognized by American policy makers primarily concerned with implementing the Point Four program. The countries with the most uncertain political future are situated along the southern and south-eastern rim of Asia. These countries offer the most promising developmental possibilities because they have valuable resources, a relatively dense and intelligent population,

and because in most of them the basic forms of capital for development have been provided. These countries have a rudimentary net of communications and transportation, port facilities and some sources of power. They have some experience with modern forms of government, a small native middle and upper class, and a relatively large number of intellectuals who were educated in European or American universities. At the same time, most of these countries have recently emerged from colonial status, are thoroughly suspicious of, and often even antagonistic to Europeans, and have developed strong sentiments of nationalism with which is intermixed a bias against foreigners, and especially white foreigners. But whereas immediately after the war the peoples of these countries looked to the United States as the champion of their aspirations in the west, they now have come to be skeptical of whether or not the United States is prepared to play this role. Certainly American support of the French in Indo-China, the clumsy manner in which grain shipments to relieve famine in India was handled in the American Congress, and the ambiguous position of the United States with regard to the conflict between the Indonesians and the Dutch, as well as other aspects of American foreign policy have been responsible for this. Whatever may have been the motives of American policy makers in this and other situations the loss of opportunities for the United States to intervene constructively in the developmental possibilities of this area is confirmed by many competent observers of that part of the world. (11)

The result of this situation, however, is that it affects the magnitude and form of American governmental aid and American private investment in these countries. Since there exists the danger that any of these countries may go Communist or at least follow the Indian lead of developing a policy of strict neutrality between East and West, any advancement financed by this country may accrue wholly or partially to the Soviet Union and its allies. Similarly, for private investors there exists a risk of expropriation or serious curtailment of freedom of action against which guarantees by present governments are of no avail, for it is feared that a possible future government with different political preferences would not hesitate in renouncing any obligations undertaken by its predecessor.

Thus the present world political situation operates as a brake on economic development in two ways. Internally, as we have seen before, it imposes a predilection for the status quo and a reluctance to permit deeply penetrating economic and technical changes which would have a tendency to significantly affect the social structure, and externally it leads to timidity and sometimes to the propensity of implementing the Point Four program by bold new words instead of bold new acts.

This state of affairs has another by-product which apparently is the outflow of an ethnocentric mentality in the advanced countries, and which operates as a further brake on economic development abroad. I am referring to the fact that economic development is regarded as a process which is tied to peculiar institutional and political conditions rather than one which is essentially independent

(11) See for example, Harold R. Isaacs, "A Policy for the United States," in Philipps Talbot, ed., op. cit., pp. 221-228; F.S.C. Northrop, "Asian Mentality and United States Foreign Policy," in Annals of the American Academy of Political and Social Science, Vol. 276 (July 1951), pp. 118-119, and Vera Micheles Dean, "How Asians View the United States," ibid., pp. 128-134.

of such a framework and which, indeed, may take place within very different, even contradictory frameworks. This attitude is expressed in its most naive form in the opinion that economic development will result essentially in a repetition of the American experience. Now it is true, of course, that the masses of the population in underdeveloped countries believe that economic development will result in making it possible for them to obtain some of the consumer goods which are in common use in the United States, and which they want. Although for the most part, they know these things -- shoes, suits, lamps, refrigerators, fans, radios, and the like -- chiefly from having seen them in American motion pictures or the stores of some of the cities of their own country, these objects have as much symbolic value in representing a high living standard as they have utility. For example, in Puerto Rico total net national income (in constant prices) increased between 1939/40 and 1949/50 by 99 per cent, total consumers' expenditures by 82 per cent in the same period, but expenditures on clothing and accessories rose by 175 per cent and expenditures on house furnishings by 193 per cent. An American student who participated in several social surveys in the island, and visited many homes in the course of his work, reports that an almost universal fixture in houses above the sheer slum level is a refrigerator in the living room. (12) In other words, we cannot doubt that the peoples of underdeveloped countries want development because they expect that it will give them an opportunity of acquiring commodities the patent usefulness of which is unquestioned and which, because of their present luxury character in these countries, are endowed with status-giving qualities. Let us not be deceived, the material standard of living of Americans has great attractions, not only for the peoples of poor countries, but even for individuals in Western Europe. For example, Jean Fourastie, a professor at the French National Conservatory of Arts and Applied Arts, and a member of the French Planning Commission, writes about the future style of life made possible by economic development in a vein which sounds like an apotheosis of home life in Kansas or Iowa. (13)

Numerous further data confirming the fact that the American material standard of living is the envy and desire of other peoples could be cited. But if they wish to have our refrigerators, they may not also wish to have our system of free enterprise, and if they want our cars and vacuum cleaners they may not also be willing to introduce our form of government. In the United States the popular myth has been created that the American standard of life is somehow inseparably bound up

(12) The figures are from [Harvey S. Perloff,] Economic Development of Puerto Rico, [San Juan] 1951, pp. 10 and 21. The subsequent comment is based on an oral communication by Mr. Stephen Axilrod.

(13) Jean Fourastie, Le grand espoir du XXe siecle, Paris, 1950, pp. 177-182. I cannot forego this opportunity to exhibit a short piece of M. Fourastie's reasoning. In one place (p. 182), he writes: "Household equipment transforms the life of the housewife and creates for her the ambition to elegance and further to intellectual culture; (the mother only reads the newspaper and, by necessity, Gone with the Wind; the daughter reads the Readers' Digest; the granddaughter will read Steinbeck and be ready for Bergson and Colin Clark). This equipment adding to comfort and free time permits varied experience in her leisure time (radio, cinema, phonograph) which, whatever one may think of it, is infinitely more favorable to intellectual and moral culture than the tavern."

with our institutions of business enterprise and our form of democratic government. It is not surprising that this should be so. In the nineteenth century when Britain was foremost among the countries of the world in economic and technical development, the opinion was often voiced that this was due to the government, laws, and customs of that country. And just as Americans of today, when they discuss ways and means of furthering technical and economic development abroad, assert that these things are closely bound up with the American system of government and enterprise, so Englishmen of a hundred years ago stated that the most effective means of economic advancement was the adoption of English laws and practices. For example, Lord Durham in his Report on British North America of 1839 says:

"It needs no change in the principles of government, no invention of a new constitutional theory, to supply the remedy which would, in my opinion completely remove the existing political disorders. It needs but to follow out consistently the principles of the British constitution, and introduce into the Government of these great Colonies those wise provisions, by which alone the working of the representative system can in any country be rendered harmonious and efficient." (14)

This was written with reference to a country three fourths of the population of which was French, a population moreover, whose majority was described by the same Lord Durham as clinging "to ancient prejudices, ancient customs, and ancient laws, not from any strong sense of their beneficial effects, but with the unreasoning tenacity of an uneducated and unprogressive people."

The views expressed by Lord Durham betray the same ethnocentrism, the same belief in the fundamental superiority of the institutions and laws of his own country as appear today in many of the public and private announcements of American protagonists of foreign aid. Not only private individuals believe that Point Four aid will spread American "know-how" around the world together with American free enterprise and American democracy, but this has become one of the propaganda lines of the State Department itself. (15) I am not arguing whether or not Americans rightfully cherish their form of government and their social institutions. They have many reasons to be proud of them. But the attempt to sell technical aid wrapped up in American business and political ideologies may lead to a complete rejection of the whole package. For aid which is offered clad in an ideological garb often produces an optical illusion on the part of the recipient, especially if this recipient is a government which prizes its independence and political autonomy. All attention is directed to the ideological wrapping of the package and the material content is forgotten or belittled. In many underdeveloped countries governments have socialist ideals, and although they are by no means enthusiastic about the Soviet system their views on democracy and free enterprise clash strongly with those held in the United States on these topics. Hence the

(14) The Earl of Durham, A Report on Canada, New York (E.P. Dutton & Co.), 1902, p. 204.

(15) For the expression of this view by an influential private individual see Sumner H. Slichter, "Why is United States Industry So Productive?," The Commercial and Financial Chronicle, Sept. 6, 1951; for an official pronouncement of this view see Department of State, Point 4 What it is and How it Operates, p. 1.

tying of technical aid to the acceptance of political and business ideologies held in the United States has the tendency of forming an impediment to economic development.

The doctrine that economic development is tied to a particular form of government and a particular ideology is not only dangerous, it is also false. It would lead too far to discuss in the confines of this essay the reasons for the high living standard of the American people. No doubt, the form of government and the institutions of business in this country were significant factors in the process of American economic development. But they were overshadowed by far by other factors: the availability of vast natural resources, the absence of any serious threat of aggression during most of the history of the country, the characteristics of its people, and the fact that because of its climate and location of resources this country could develop a pattern of production which was complementary with Europe, at a time when Europe's population and income were rising rapidly. In other words, American economic growth is tied to particular historical and geographical conditions and the particular character of its people which cannot be repeated again elsewhere.

A final word of caution remains to be added. I have discussed in this paper obstacles and impediments to economic advancement, and have not tried to indicate means by which they could be overcome. This does not imply that such means do not exist or could not be devised. Their careful examination would require, however, another paper at least as long as this. But these impediments had to be discussed because they are important factors intervening in development plans. As has been stated earlier, there exists a strong desire for development in all poorer countries. From the top government officials to the most menial peasants and laborers, aspirations are inculcated and find expression which point to this. Economic development, although endowed with different meanings to members of different societies and different classes of the same society has become a slogan with formidable powers of attraction. The execution of actual development projects, the attainment of sensibly higher living standards for large masses of people, is a very great task and certain to lead to many disappointments and disillusionments. In the enthusiasm of regarding economic development as a cure-all one is wont to overlook or belittle difficulties which might stand in the way of the easy attainment of too frequently all too ambitious targets. An honest and critical evaluation of economic (16) and non-economic barriers to such development, may therefore have the wholesome effect of inducing the drawing up of plans which are capable of actual realization and will avoid the emergence of unforeseen by-products which may jeopardize the attainment of the objectives of developmental efforts.

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(16) I have not stressed economic barriers to economic development in this paper because they have been summarized in a brilliant fashion by Professor Jacob Viner in Chapter VI of his Lectures on the Theory of International Trade, (published in Portuguese Translation in Revista Brasileira de Economia, Ano V, Numero 2, June, 1951).

THE APPEAL OF COMMUNISM TO THE PEOPLES OF UNDERDEVELOPED AREAS*

If time is a power dimension in any political strategy, the odds facing the West in the underdeveloped areas of the world today are heavily weighted against it. The effort to capture the imagination and loyalties of the populations of these areas did not begin with the West in President Truman's plea for a "bold new program" of technical aid to backward areas. It began more than a generation earlier when the Communist International at its second world congress in 1920, flung out the challenge of revolution to the peoples of colonial and dependent countries, and proceeded to chart a course of action calculated to hasten the end of Western overlordship. We thus start with an initial time handicap, and it is a moot question whether we can overcome the disadvantage by acquiring the radically new appreciation of the human stakes involved necessary to meet the challenge of the Communist appeal to the peoples of these areas.

Fortunately, there is no need to trace out the tortuous course of the careers of the various Communist parties in the backward areas of the world in order to gain some appreciation of the extent and intensity of their indigenous appeal. For purposes of this discussion we can confine ourselves to China, India and the area of southeast Asia where they have had their greatest successes to date. Despite the blunders and ineptitudes which marked their initial grand play in China in 1924-27, ending in almost complete disaster for their most promising single party organization in these areas, they have emerged today as a political magnitude of the first order, boasting a seasoned leadership, a core of trained cadres and a mass following recruited mainly from the peasant masses of the region. It is the purpose of this paper to indicate the nature of the Communist appeal to the peoples of these areas and to suggest some of the sociological factors which have made that appeal so effective.

It was once the wont of certain continental writers, preoccupied with the problem of imperialism, to refer to the peoples who form the subject of our deliberations as the history-less peoples. Better than the Europacentric term, "underdeveloped peoples," it delineates in bold relief all the distinctive features which went to make up the scheme of their social existence: their parochial isolation, the fixity of their social structure, their tradition-bound resistance to change, their static, subsistence economies and the essential repetitiveness and uneventfulness of their self-contained cycle of collective activities. With a prescience which has not always received its due, these theorists of imperialism also called the right tune in predicting that the isolated careers of these archaic societies would rapidly draw to a close under the impact of economic and social forces set in motion by industrial capitalism, and that these history-less peoples would before long be thrust onto the arena of world politics, impelled by a nascent nationalism born of contact with the West and nurtured by a swelling resentment against the exactions of its imperialism. (1)

*This is the revised text of a paper given before the Norman Wait Harris Foundation proceedings at the University of Chicago in June 1951.

(1) For typical discussions, see Otto Bauer, Die Nationalitätenfrage und die Sozialdemokratie, Vienna, 1907, pp. 494-497 et passim; Rudolf Hilferding, Das Finanzkapital (originally published in Vienna, 1910), Berlin, 1947, p. 441.

The final result of this process is unfolding today with a disconcerting force and speed in almost all the backward regions of the world. We can see its culmination most clearly among the classic exemplaries of history-less peoples in China, India and the regions of south Asia where the political and economic predominance of western Europe is being successfully challenged by forces unmistakably traceable to the forced absorption of these societies into the stream of world history. Their internal cohesiveness, largely centered on self-sufficient village economies, has been disrupted by enforced contact with the West, giving way to a network of commercialized money transactions in which the strategic incidence of economic activity has shifted from subsistence agriculture to plantation production of raw materials and foodstuffs for the world market. Their economies thus took on a distorted character which rendered the material well-being of the native populations peculiarly subject to the cyclical fluctuations of the world market. All this, coupled with rapid population increases which the existing state of primitive technique, available area of cultivation and customary allocation of soil could not adjust to the requirements of maximum output, have conspired to create wide-spread rural indebtedness, abuses of plantation and tenant labor and other excrescences traditionally associated with the prevalence of a raw commercial and financial capitalism superimposed on a predominantly agricultural economy. (2)

Given the fact that the new economic dispensation in these regions was fashioned under the aegis, if not active encouragement, of the Western imperialisms, it should occasion no surprise that these regions, particularly southeast Asia, have seen the efflorescence of a distinctive type of nationalism, especially after the debacle of western rule during the second World War, differing in many crucial respects from the historical evolution of nationalism as experienced by western Europe. Indeed, the employment of a term like "nationalism" with all its peculiarly western connotations to describe what is going on in south Asia today is in a sense deceptive precisely because it diverts our attention from some of the distinctive attributes of native sentiment which set it apart from the nineteenth century manifestations of nationalism in Europe. It is moreover a particularly inappropriate characterization because it inhibits a full appreciation of the potency of the Communist appeal among the populations of these regions. Historically, nationalism in western Europe has flourished with the burgeoning of an industrial technology, the urbanization of the population, the growth of a self-conscious middle class and an industrial proletariat, the spread of literacy and the multiplication of media of mass communication. Now it is one of the distinctive features of the movements of revolt in southeast Asia today that they lack any of these marks of Western nationalism. The indigenous "nationalism" of southeast Asia today lacking any of these props, nevertheless derives its peculiar potency from a universal reaction of personalized resentment against the economic exploitation of foreign powers. Whether all the economic and social dislocations of this region are directly attributable, in refined analytic terms, to Western rule is quite beside the point. The simple and crucial datum which we must take as the point of orientation in our thinking is that to the mind of masses of indigenous peoples they do stem from this common source. The Indochinese intellectual debarred from a higher post in the government service, the Burmese stevedore underpaid by the maistry system of contract labor all tend to attribute the source of their grievances to the systems of government and economy im-

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- (2) For an excellent analysis of the economic impact of the West on the rural economies of southeast Asia where the results are most clearly apparent today, see Erich Jacoby, Agrarian Unrest in Southeast Asia, New York, 1949.

posed on them from without. The distinctive and novel aspect of the native movements of southeast Asia, then, is that they represent a mass collective gesture of rejection of a system of imposed economic and social controls which is compelled by historic circumstances to take the form of a nationalist movement of liberation from foreign rule. (3)

It is this distinctive coalescence of two sources of resentment which offers the Communist parties the opportunities they lack elsewhere to any comparable degree. The two-dimensional direction of native resentment lends itself ideally to Communist appeal and manipulation for the simple reason that Communists can successfully portray Soviet Russia both as a symbol of resistance to political imperialism imposed from without as well as a model of self-directed and rapid industrialization undertaken from within. (4) This twin appeal gains added strength from the multi-national composition of the USSR which enables indigenous Communists of south Asia to confront their audience with the glaring disparity between the possibilities of ethnic equality and the actualities of western arrogance and discrimination. Communist propaganda has accordingly exploited this theme in almost all important policy pronouncements directed to the people of Asia. (5)

With the victory of the Chinese Communists, the incidence of these appeals has perceptibly shifted the symbolism of successful resistance and internal reconstruction from Russia to China which is now being held up as a model for emulation by the other areas of southeast Asia. (6) The shift is not without its tactical and propaganda value since the adjacent region of southeast Asia is now regarded as the "main battle-front of the world democratic camp against the forces of reaction and imperialism." (7) Success in this case carries its own rewards beyond the frontiers of

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- (3) O. Bauer, op. cit., esp. pp. 262-263, has given the classic formulation of this relationship in his analysis of the problem of national conflicts in the old Austro-Hungarian Empire which showed some formal resemblance to the situation in the backward regions today. The resemblance was superficial, however, since the lines of conflict were far less clearly drawn in Austria-Hungary, especially as regards professional and intellectual groups.
 - (4) It is noteworthy that variations of both types of Communist propaganda have also been attempted in western Europe in the last three years. The Marshall Plan, for example, has been presented to Europeans as an attempt on the part of the US to impose its political rule over the continent and to throttle its industries, without however carrying the conviction it enjoys in Asia.
 - (5) See report by L. Soloviev at Congress of Asian and Australasian Trade Unions at Peking, Nov. 19, 1949, in World Trade Union Movement (organ of the WFTU), No. 8, Dec. 1949, pp. 25-27. Also cf. Manifesto to All Working People of Asia and Australasia, ibid., pp. 43-46.
 - (6) "Mighty Advance of National Liberation Movements in Colonial and Dependent Countries," For a Lasting Peace, For a People's Democracy! (organ of the Cominform), Jan. 27, 1950, cf. speech by Liu Shao-chi at the Trade Union Conference of Asian and Australasian countries, Peking 1949, World Trade Union Movement, No. 8, Dec. 1949, pp. 12-15.
 - (7) R. Palme Dutte, "Right Wing Social Democrats in the Service of Imperialism," For a Lasting Peace, For a People's Democracy!, Nov. 1, 1948, p. 6.

China itself for it is altogether probable that Mao Tse-Tung will take his place alongside Lenin and Stalin as a fount of revolutionary sagacity for these movements in India and southeast Asia. (8)

Unfortunately, recent discussions of the Communist movement in Asia have done more to obscure than to clarify the nature and direction of its appeal to the indigenous populations. All too frequently, the tendency has been to fall back on the blanket formula that Communists have sought to identify themselves with local nationalism and demands for agrarian reform. We have already seen that their identification with nascent nationalism, if such it must be called, derives its peculiar strength from certain of its unique qualities. It is no less important to an appreciation of the problem to recognize that the Communist appeal does not by mere virtue of this process of identification, acquire the same uniform access to all sectors of the population. Indeed, the most striking and disconcerting feature of much of the propaganda appeal emanating both from Moscow, Peking, and other centers is that it is not, and in the nature of the case, cannot be designed for peasant or worker consumption. The appeal of Communism as such in these areas is first and foremost an appeal which finds lodgment with indigenous professional and intellectual groups. Its identification with native nationalism and demands for land reform turns out to be, when carefully scrutinized, not so much a direct appeal to specific peasant grievances, powerful though its actual results may be, as it is an identification with the more generalized, highly conscious and sharply oriented outlook of the native intelligentsia. (9)

Given the entire range of sociological and economic forces at work in these areas, the very logic and terms of the Communist appeal must of necessity filter through to the peasant masses by first becoming the stock-in-trade of the intellectual and professional groups. To revert to the terminology suggested at the outset of this paper, we may say that by and large, it is the old history-less style of social existence which still claims the loyalty and outlook of the bulk of the indigenous populations. It is still the old village community which serves as the center of peasant and worker aspirations, and if they have taken to arms it is because

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- (8) See statement of Ho Chi Minh's newly constituted Laodong Party which "pledges itself to follow the heroic example of the Communist Party of China, to learn the Mao Tse-tung concept which has been leading the peoples of China and Asia on the road to independence and democracy." Vietnam News Agency, English Morse to Southeast Asia, March 21, 1951. Like wise, the ruling body of the Indian Communist Party fell into line with the general trend by declaring its adherence to Mao's strategy. Crossroads, Bombay, March 10, 1950.
- (9) Failure to appreciate the true direction of the Communist appeal in these areas frequently causes some observers to commit the mistake of minimizing its effectiveness. Thus, Mr. Richard Deverall, the AF of L representative in these areas and an otherwise very perceptive student of the subject, ventures the opinion that Communist propaganda in these areas is mere "rubbish" because it is for the most part couched in terms which hold no interest for the masses, having meaning only for intellectuals. See his "Helping Asia's Workers" in American Federationist, Sept. 1951, p. 16. Mr. Deverall's account of the nature of Communist propaganda is quite accurate, but if the thesis presented above is a valid estimate of the current situation in Asia, he has not drawn the conclusion which follows from the evidence.

European rule has destroyed the old securities and values without replacing them by new ones. (10) Without leadership and organization their unrest would be without direction and certainly without much chance for success, quickly dissipating itself in spontaneous outbursts against individual landowners and achieving no lasting goals. Whatever else it may be that we are facing in southeast Asia today, it certainly does not resemble the classic uprisings of peasant jacquerie, but a highly organized and well-integrated movement, with a leadership that has transcended the immediate urgencies of its mass following and can plan ahead in terms of long range perspectives.

That leadership is supplied by the new indigenous intelligentsia. It is from this group that native Communist and non-Communist movements alike recruit their top leadership as well as the intermediate layers of cadres for, of all the groups which make up the populations of these areas, it is the intelligentsia alone (taking the term in its broadest sense) that boasts an ideological horizon which transcends the history-less values of the bulk of the population and makes it the logical recruiting ground for the leadership of political movements. For this, it can thank the formal schooling and intellectual stimulus provided by the West, which not only brought such a group into existence but also -- and this is crucial -- condemned large sections of that intelligentsia to a form of declassé existence from the very beginnings of its career. The new intelligentsia was in large measure consigned by the imperial system to hover uneasily between a native social base which could not find accommodation for its skills and ambitions, and the superimposed imperial structure which reserved the best places for aliens. There were, of course, considerable variations and differences in the various areas of South Asia -- India, for example, did succeed in absorbing a good many of its professionally trained native sons -- but by and large, the picture is one of a rootless intellectual proletariat possessing no real economic base in an independent native middle class. The tendency in all these areas, moreover, has been to train technicians, lawyers, and other groups of professional workers in numbers far out of proportion to the absorptive capacity of the social structures of the home areas, even if more of the higher posts in industry and administration were thrown open to native talent. In any case, those who did find such employment were frozen in minor posts, the most coveted positions going to Europeans. (11)

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- (10) In most backward areas, the tie to the countryside is still apparent in the tendency of laborers engaged in industry and mining periodically to drift back to the village. W. E. Moore, "Primitives and Peasants in Industry," Social Research, Vol. XV, No. 1, March 1948, pp. 49-63. See also observations of S. Sjahrir in his Out of Exile (tr. C. Wolf), New York, 1949, pp. 74-75, concerning the mental outlook of the masses in these regions. This fact was not lost on the leaders of the Communist movement. In the 1928 resolution on colonial strategy, the Sixth Comintern Congress noted that the proletariat "still have one foot in the village" a fact which it recognized as a barrier to the development of proletarian class consciousness. See International Press Correspondence (Vienna), Vol. VIII, No. 88, Dec. 12, 1928, p. 1670.
- (11) Some interesting data on this score for Indonesia is offered by J. M. van der Kroef's "Economic Origin of Indonesian Nationalism" in South Asia in the World Today, ed. by P. Talbot, Chicago, 1950, pp. 188-193, and his article "Social Conflicts and Minority Aspirations in Indonesia," American Journal of Sociology, March 1950, pp. 453-456. Cf. L. Mills (ed.) New World of Southeast Asia, Minneapolis, 1949, pp. 293-295.

But if these groups could not be integrated into the social structure of these dependent areas, the same does not hold true of their acclimatization to the cross currents of political doctrine. Western education exposed many of them to the various schools of social thought contending for influence in Europe, and from these they distilled the lessons which seemed to offer the best hope for their native communities. Western capitalism was necessarily excluded from their range of choices if for no other reason than that its linkage with imperialist rule over their own societies debarred it from their hierarchy of values. The anti-capitalist animus is common to the intellectual spokesmen of these areas, whatever their specific political allegiance or orientation may be. (12) Nor does it appear that any populist variety of Gandhism, with its strong attachment to the values of a static subsistence economy, has won any considerable following among these intellectual groups. Soeten Sjahrir voiced a common sentiment when he wrote:

We intellectuals here are much closer to Europe or America than we are to the Boroboedoe or Mahabrata or to the primitive Islamic culture of Java or Sumatra. . . . For me, the West signifies forceful, dynamic and active life. I admire, and am convinced that only by a utilization of this dynamism of the West can the East be released from its slavery and subjugation. (13)

The sole possibility, then, which appeared acceptable to them was one or another of the forms of state-sponsored reconstruction and industrialization, for which liberation from the rule of European states was naturally considered to be a prerequisite. Liberation and internal reconstruction thus came to be two inseparable operations, intimately tied together as they seldom have been before.

We can now appreciate the enormous initial advantage which was thus offered the Communist movements in these backward areas. The Russian Revolution of 1917 and the subsequent course of planned industrialization could not but fail to impress native intellectuals as offering a model pattern of action by which they could retrieve their communities from pre-capitalist isolation and backwardness without paying the price of continued foreign exploitation. There is doubtless a large measure of self-revelation in Mao's reaction to the Russian experience in his statement that:

There is much in common or similar between the situation in China and pre-revolutionary Russia. Feudal oppression was the same. Economic and cultural backwardness was common to both countries. Both were backward. China more so than Russia. The progressives waged a bitter struggle in search of revolutionary truth so as to attain national rehabilitation; this was common to both countries. . . . The October Revolution helped the progressive elements of the world, and of China as well, to apply the proletarian world outlook in determining the fate of the country. . . . The conclusion was reached that we must advance along the path taken by the Russians. (14)

(12) For a typical rejection of the capitalist solution coming from anti-Communist sources see D. R. Gadgil, "Economic Prospect for India" in *Pacific Affairs*, Vol. 22, June, 1949, pp. 115-129; S. Sjahrir, *op. cit.*, pp. 161-162, and the remarks of H. Shastri, of the Indian Trade Union Congress at the Asian Regional Conference of the ILO, Ceylon, Jan. 16-27, 1950, *Record of Proceedings* (Geneva 1951), p. 112. Cf. J. M. van der Kroef's article in the *American Journal of Sociology* cited above, pp. 455-456 and J. F. Normano, *Asia Between Two World Wars*, New York 1944, pp. 83-87.

It should also be noted, in passing, that the Comintern lost no time in launching a large number of international front organizations such as the Red International of Trade Unions, International League Against Imperialism, International of Seamen and Dockers, International Red Aid, etc., all of which provided the necessary organizational scaffolding and support for facilitating the dissemination of propaganda. Finally, as will be noted presently, the Comintern provided a rallying point for their aspirations by outlining a program of revolutionary action in the colonies and dependent areas which was ideally calculated to provide them with a mass peasant following.

The result, though viewed with some misgivings by the leadership of the Comintern, was merely what might have been expected under the circumstances. The Communist parties of these underdeveloped areas of Asia were from their very beginnings, initiated, led by, and predominantly recruited from (prior to their conversion into mass organizations as has been the case in China after 1949) native intellectual groups. Though this vital sociological clue to the nature of the Communist appeal in the colonial areas has not received the recognition it deserves, amidst the general preoccupation with the theme of Communist appeals to the peasantry, its implication was perfectly plain to the leaders of the Comintern. One of the most revealing (and to date largely unnoticed) admissions on this score is contained in the Sixth Comintern Congress in 1928 in its resolution on strategic policy in the colonies and semi-colonies in which the point is very clearly made that:

Experience has shown that, in the majority of colonial and semi-colonial countries, an important if not a predominant part of the Party ranks in the first stage of the movement is recruited from the petty bourgeoisie, and in particular, from the revolutionary inclined intelligentsia, very frequently students. It not uncommonly happens that these elements enter the Party because they see in it the most decisive enemy of imperialism, at the same time not sufficiently understanding that the Communist Party is not only the Party of struggle against imperialist exploitation . . . but struggle against all kinds of exploitation and expropriation. Many of these adherents of the Party, in the course of the revolutionary struggle will reach a proletarian class point of view; another part will find it more difficult to free themselves to the end, from the moods, waverings and half-hearted ideology of the petty bourgeoisie. . . (15)

The fact that this did not accord with the *idee fixe* of this and all other Comintern pronouncements that leadership of colonial revolutionary movements is properly a function of the industrial urban workers should in no way blind us to the fact which Comintern leadership was realistic enough to acknowledge, namely

(13) S. Sjahrir, op. cit., pp. 67, 144.

(14) Mao Tse-tung, On People's Democratic Rule, New York (New Century Publishers), 1950, pp. 2-4. For the same reaction of M. N. Roy, one of the earlier leaders of the Indian Communists who later broke with the Comintern, see his Revolution and Counter-Revolution in China, Calcutta, 1946, p. 522.

(15) "The Revolutionary Movement in the Colonies; Resolution of the Sixth World Congress of the Communist International," adopted Sept. 1, 1928, International Press Correspondence, Vol. VIII, No. 88, Dec. 12, 1928, p. 1670.

that membership of these Communist Parties is heavily weighted in favor of the intelligentsia. One may, in fact, go one step further and say that in accepting the predominance of the "colonial" intelligentsia, the Comintern was closer to the genus of Leninist doctrine than were any of its endorsements of the leadership role of the urban proletariat. No other group in these areas but the intelligentsia could be expected to undertake the transformation of the social structure under forced draft and in a pre-determined direction and thus fulfill the main self-assigned historical mission of Leninism. (16)

If we bear this key factor in mind, it throws a new light on the nature of the grip which Communists exercise on the political movements of these areas. The usual formulation of the character of these movements is that they stem from mass discontent with the prevailing system of land distribution, with the labor practices in force, with the overt or indirect political control of these areas by foreign governments, etc. These are perfectly valid empirical descriptions of the necessary conditions for the rise of liberation movements in these areas. But they obviously fail to take notice of the specific social groups that give these movements their elan, direction and whatever measure of success they have had thus far. As matters stand today, the intellectuals are the sole group in these areas which can infuse these raw social materials of agrarian discontent, etc., with the necessary organization and leadership necessary for their success. And it is largely this group which has acted as the marriage broker between the international Communist movement and the manifestations of indigenous revolt.

Enough empirical material exists to warrant the conclusion that the "colonial" Communist parties of Asia today, as in the 1920's, are the handiwork of native intellectuals. Since 1940, they have, of course, greatly expanded their mass following and membership, but their leadership is still drawn overwhelmingly from the intelligentsia. As regards China, this elite character of Communist party leadership was expressly recognized by Mao Tse-tung in 1939 (17) and the entire history of the party from its founding by Li Ta-chao and Ch'en Tu-hsu to Mao Tse-tung and Liu Shao-sh'i is virtually an unbroken record of a party controlled by intellectuals. (18) India illustrates the same trend. Its earliest Communist leadership is exemplified in M. N. Roy (who later broke with the movement), a high-caste Brahmin of considerable intellectual attainments. Also indicative of the predominance of intellectuals in the leadership of the Indian Communist Party is the fact that at its first All-Indian Congress in 1943, eighty-six of a total attendance of 139 delegates were members of professional and intellectual groups. (19) And in the post-war period, the

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- (16) Though cognizant of the role of the intellectuals in the Chinese party, Benjamin Schwartz's illuminating study, Chinese Communism and the Rise of Mao, Cambridge, 1951, falls short of an appreciation of its significance by focusing attention on a purely strategic problem -- Mao's peasant-oriented movement -- and concluding from this that Mao's ideology represents a radical break with classical Leninism.
- (17) Mao Tse-tung, The Chinese Revolution and the Communist Party of China (Committee For a Democratic Far Eastern Policy), New York, undated translation, pp. 13-14.
- (18) Mao Tse-tung's excursion into an instrumentalist approach to Marxian philosophy is one manifestation; see his "On Practice" in Political Affairs (organ of the US Communist Party), Bombay, June 13, 1943.
- (19) People's War (organ of the CPI), Bombay, June 13, 1943.

leading position of this social group in the affairs of the Indian Communist Party finds expression in men like Joshi, Ranadive and Dange. (20) The same pattern also holds good for the Communist parties of Indo-China, Thailand, Burma, Malaya and Indonesia, all of which show a heavy preponderance of journalists, lawyers and teachers among the top leadership. (21) The Burmese Communists afford an especially pointed illustration in this respect since the parent organization, the Thakens, originated among university students in the early 1930's who today comprise the leadership of both rival Communist factions. (22) If any doubt exists as to the extent to which the leadership of these movements is dominated by intellectual groups, it is quickly dispelled by an examination of the top echelons of trade unions, as instanced, for example, by the names of those attending the WFTU-sponsored Congress of Asian and Australasian Unions in Peking in 1949. Here, at least, we can appreciate the full impact of the trend by noting that while European trade union leadership (in contrast to the leadership of parties) has been largely recruited from within membership ranks, the reverse is true in south Asia. The trade union movement in that region is largely a new-born, post-war phenomenon and the various bodies (whether Communist-dominated or controlled by other political groups) have been fashioned and directed by professionals with no direct experience in the occupations concerned. (23)

This, in its larger perspectives, is the structure of leadership both for the Communist and non-Communist groups in the entire region. More detailed research might serve to throw some light on the sociological factors which determine the distribution of these professional groups among Communist and anti-Communist movements. But even if a completely detailed analysis is still lacking, enough is already known of the larger trends to indicate that these sections of the native populations constitute the key operational factor in the Communist appeal. It is they who spearhead the propaganda drive, organize the unions, youth groups and other organizations, and plan the tactics of their parties, etc.

As matters stand, then, the organization and leadership of Communist parties in colonial areas do not accord with their accepted doctrinal precepts. For over a generation now it has been a standard item of doctrine, reiterated again and again,

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- (20) See a review of the latter's "India, From Primitive Communism to Slavery," Bombay, 1949, in The Communist (organ of the CPI), Bombay, Vol. III, No. 4, October-November 1950, pp. 78-91. Cf. M. R. Masani, "The Communist Party in India" in Pacific Affairs, March 1951, pp. 31-33.
- (21) See for example, biographic data in V. Thompson and R. Adloff, The Left Wing in South East Asia, (New York), 1950, pp. 231-286.
- (22) Ibid., pp. 80-82.
- (23) New York Times, May 21, 1950; see also Institute of Pacific Relations, Problems of Labor and Social Welfare in South and Southeast Asia, Secretariat Paper No. 1 prepared by members of the ILO, New York, 1950, p. 20. Cf. statements of delegates from India and Ceylon to Asian Regional Conference of the ILO in Ceylon, Jan. 16-27, 1950, op. cit., pp. 98, 113.

that the leadership of these parties must rest with the industrial working class. (24) The realities of the situation in these areas have not been very obliging to this formula though it still occupies its customary niche in all their pronouncements. From the standpoint of their own strategic imperatives and long-term objective however, the Communist parties of these areas have not hesitated to draw the necessary practical conclusions. They have acquiesced in the primacy of the intellectuals in the movement because the acceptance of any alternative leadership coming from the ranks of the peasantry of the industrial workers (assuming the possibility of such leadership), would entail the sacrifice of the prime objectives of the party -- viz., the seizure of power and the launching of a long-range plan for internal planning and reconstruction. Gradual and piecemeal reforms and certainly basic reforms designed to bring immediate relief to the masses (for instance in the credit structure of an area) undertaken by non-Communist regimes would be welcomed by the mass of the peasantry because they are in accord with their immediate and most pressing interests. (25) A program of seizing political power followed by prolonged industrialization, economic planning, recasting of the social structure, re-alignment of a country's international position in favor of the USSR -- these are considerations of the type which can attract intellectuals only (26)

Accordingly, if the main appeal of Communism per se, in underdeveloped areas, has been to the native intelligentsia, a transgression has apparently been committed against an expendable item of party dogma, but the fundamental spirit of the Leninist position with regard to the relation between leadership and the masses, has actually been preserved in its pristine form. There is no need to labor this point since there is enough evidence to indicate that the leadership of Communist parties in underdeveloped areas is acutely aware of the conflict between its own long-range objectives and the "interests" of its mass following, as well as of the conclusions to be drawn for the practical guidance of their parties' activities. Thus a recent party document issued by the Malaya Communist Party to cope with internal criticism of its leadership and policies contain this cogent passage:

Regarding these masses, our responsibility is not to lower the Party's policy and to accede to the selfish demands of small sections of the backward elements, but to bring out a proper plan to unite and direct them courageously to carry out the various forms of struggle against the British. If this course is not followed we will retard the progress of the national revolutionary war, and will lose the support of the masses. The proper masses route is not only to mix up with them [mingle with

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- (24) See for example, Resolution on the Revolutionary Movement in Colonial and Semi-Colonies, Sixth Congress of Comintern, Sept. 1, 1928, op. cit., pp. 1670-1672, et passim, and Mao's pamphlet, cited above, pp. 15-16.
- (25) This is all the more true of large sections of southeast Asia where the land problem is not identical with the structure of ownership distribution and where no direct correlation prevails between tenancy and poverty. In large sections of this region, the problem arises largely from the primitive credit and marketing facilities rather than from concentration of land titles.
- (26) Communist leaders are not loathe to recognize that this cleavage exists between the immediate interests of the masses and the party's long-range perspectives. See Liu Shao-chi, "On the Party," Political Affairs, October 1950, p. 88.

them ?] but to resolutely and systematically lead them to march forward to execute the Party's policy and programme. By overlooking the latter point, we will not be able to discharge the historical duty of a revolutionary Party. (27)

If we discern the central driving force of Communism in the underdeveloped areas to be its appeal to a considerable number of the indigenous intelligentsia, we are also in a position to reassess the meaning and changes of its mass appeal, most notably its program of land redistribution. To no inconsiderable extent, much of the confusion which attends thinking and discourse on the subject in this country can be traced to a widespread impression, still current, that the Communist movement in underdeveloped areas owes its success to the fact that it is finely attuned to the most urgent and insistent "land hunger" of millions of the poorest peasants living on a submarginal level of existence. There is just enough historical truth in this impression to make it a plausible explanation of Communist strength. It is unquestionably true that the mass base of the Communist parties in south Asia can be accounted for by the almost universal prevalence of local agrarian unrest which thus constitutes the necessary precondition for the activities of the Communists. But if -- as is not infrequently done -- this is offered as the crucially strategic element in the complex of circumstances which have served the cause of the Communist parties, we are once again confronted with the old confusion of necessary with sufficient causes. (28) For there is no intrinsic reason which compels the groundswell of agrarian discontent to favor the fortunes of the Communist parties -- unless that discontent can be channelled and directed in predetermined fashion by the intervention of a native social group capable of giving organized shape to its various amorphous and diffused manifestations. If the foregoing analysis has any merit, the balance of the sociological picture in these areas will have to be redressed in our thinking to give greater weight to the Communist-oriented intelligentsia, and to its role as the prime mover of the native Communist movements.

A more balanced picture of the sociological roots of the Communist movement in the underdeveloped areas would also serve to throw some light on the shift which has recently taken place in their agrarian reform program and therefore too in the direction of their appeal.

In its original form, the agrarian program of the Comintern was an outright bid for the support of the poorest, and therefore the numerically preponderant sections, of the peasantry. At the second Congress of the Comintern in 1920, Lenin placed the

(27) The document from which this passage is taken is contained in a Malaya Communist Party publication titled "How to Look After the Interests of the Masses," Emancipation Series No. 5, published secretly by the Freedom Press in Malaya, Dec. 15, 1949 and made public after its seizure by the local authorities. Another document titled "Resolution to Strengthen Party Character" reaffirms the doctrine of democratic centralism against the more "extremist democratic" demands of some of the members. For an expression of the same standpoint regarding the relation between the party and the masses from a Chinese source, see Liu Shao-chi, "On the Party," Political Affairs, Oct. 1950, p. 78.

(28) An otherwise excellent discussion by Miss Barbara Ward verges on this error, especially in its opening remarks. See her article in the New York Times, March 25, 1951.

question of agrarian reform at the very center of the Communist appeal and dismissed as Utopian any notion that a Communist movement in these areas was even conceivable without an appeal to the masses of peasantry. (29) The resolution adopted by that Congress repudiated any attempt to solve the agrarian problem along Communist lines, and instead accepted the inevitable fact that in its initial stages, the agrarian revolution in these areas would have to be achieved by a "petty bourgeois" program of land distribution, directed "against the landlords, against large landownership, against all survivals of feudalism . . ." (30) Eight years later the Sixth Congress of the Comintern was more specific. Its resolution on the strategy of the Communist movement in colonial areas called attention to the presence of a "hierarchy of many stages, consisting of landlords and sublandlords, parasitic intermediate links between the laboring cultivator and the big landowner or the state" who were destroying the basis of the peasant's livelihood. More particularly, ". . . the peasantry . . . no longer represents a homogeneous mass. In the villages of China and India . . . it is already possible to find exploiting elements derived from the peasantry who exploit the peasants and village laborers through usury, trade, employment of hired labor, the sale or letting out of land . . ." While the Comintern was willing to collaborate with the entire peasantry during the first period of the liberation movement, the upper strata of the peasantry was expected to turn counter-revolutionary as the movement gained momentum. When the chips were down, therefore, the program would have to shift to "a revolutionary settlement of the agrarian question." (31)

The "revolutionary settlement of the agrarian question" was never accomplished, save in the case of Korea. Wherever the Communists have achieved power in these areas, the program of agrarian revolution, stipulated in the resolution of the Sixth Comintern Congress, soon became a dead letter. Except for Northern Korea where its application was dictated by the previous expropriation of native lands in favor of the Japanese, its place was taken by a series of moderate reforms designed to mollify the poorer sections of the peasantry without alienating the "parasitic intermediate links" or impairing the productive capacity of agriculture. During the period when the Chinese Communists held sway in the border regions, for example, steps were taken to alleviate the lot of the poorer peasantry in such matters as rentals and interest rates, but wholesale confiscation and redistribution were not attempted to any great extent. (32) Similarly, under the present regime in China, the revolutionary formula has been virtually dismissed as a propaganda appeal, once useful for enlisting the support of the poorer peasantry in the period before the Communist accession to power, but having no relevance to the problems of agriculture today. In fact, the propaganda

(29) For the text of Lenin's remarks, see Selected Works, Vol. X, pp. 239-240.

(30) "Theses on National and Colonial Questions," Ibid., pp. 231-238. See also the speech of Zinoviev at the Congress of Eastern Peoples held in Baku, 1920. I S'zed Narodov Vostoka September 1-8, 1920, Baku, Stenograficheskii Otchet, Petrograd, 1920.

(31) "The Revolutionary Movement in the Colonies and Semi-Colonies," Resolutions adopted by Sixth Congress of the Communist International, Sept. 1, 1928, International Press Correspondence, Vol. VIII, No. 88, Dec. 12, 1928, pp. 1663-1667.

(32) Except in Kiangsi and Fukien in the late 1920's and later discontinued. Similarly, the radical confiscatory program of 1946-1949 was abandoned with the Communists' final accession to power.

appeal is now designed to reconcile the middle and wealthier sections of the Chinese peasantry to the new regime in political terms, and to promote increased output and land improvements as prerequisites to a program of industrialization. (33) Without the active intervention of a Communist-oriented intelligentsia, a large scale peasant movement in China as well as in the region of south Asia, if successful, would not go beyond agrarian reform pure and simple. The end goal would be Sun Yat Sen's and Stambulisky's rather than Lenin's, given the essentially static and conservative temper of the bulk of the peasant populations. As matters stand now, however, the schedule of agrarian reform under Communist sponsorship has definitely been subordinated to the long-range perspectives of industrialization with a program of collectivization in store for the future when conditions are more favorable to its success. (34) Accordingly, the imperatives of the "New Democracy" require a shift in the main incidence of Communist appeal to secure for the regime a base of support more in accord with its long-range plans.

The shift is equally apparent in the industrial field where attempts are being made to enlist the support of the "national bourgeoisie" during an indefinite transition period pending the introduction of "genuine" socialism. The present program envisions a form of limited, state sponsored and regulated capitalist enterprise to promote the process of industrialization (35) and the attractions now being employed to enlist entrepreneurial cooperation are strangely reminiscent of the "infant industry" argument so familiar in "imperialist" countries. (36)

An identical transposition of appeal may also be detected in the program of Ho Chi-minh's newly organized Laodong (Worker's) Party in Vietnam. (37) Its program proclaims it the leader of a national united front comprising all classes, parties and races, and its leading motif is the need to oust the French oppressors who are charged not only with exploiting Vietnamese workers, but also native landlords and

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- (33) Liu Shao-chi, "On Agrarian Reform in China" in For a Lasting Peace, for a People's Democracy!, July 21, 1950, pp. 3-4; see also Teh Kao, "Peasants in the New China," Ibid., Oct. 13, 1950, p. 2. For a summary of the history of the Communist agrarian program, see F. C. Lee, "Land Redistribution in Communist China," Pacific Affairs, March 1948, pp. 20-32.
- (34) Mao Tse-tung, On the Present Situation and Our Tasks (East China Liberation Publishers), 1946; see also remarks of Kiu Shao-ch'i in People's China, July 16, 1950.
- (35) See for example, Mao Tse-tung, On People's Democratic Rule, New York (New Century Publishers), 1950, p. 12 and the text of the "Common Program of the People's Political Consultative Conference of 1949" included as an appendix to Mao's speech, esp. p. 19.
- (36) Wu Min, "Industry of People's China Grows," in For a Lasting Peace, for a People's Democracy!, Nov. 17, 1950, p. 4. This outright nationalistic appeal to the interests of domestic business groups is also plainly apparent in the latest draft program of the Indian Communist Party. See For a Lasting Peace, for a People's Democracy!, May 11, 1951, p. 3.
- (37) Actually a revival of the Communist Party dissolved in 1945.

capitalists who must pay a tribute to the French in the form of high prices for imports and the sale of their own products at depressed prices. (38) The socialist regime is indefinitely postponed until such time as the country is ready for it and in the meantime:

The national bourgeoisie must be encouraged, assisted and guided in their undertakings, so as to contribute to the development of the national economy. The right of the patriotic landlords to collect rent in accordance with the law must be guaranteed.

Our agrarian policy mainly aims at present in carrying out the reduction of land rent and interest . . . regulation of the leasehold system, provisional allocation of land formerly owned by imperialists to poorer peasants, redistribution of communal lands, rational use of land belonging to absentee landlords . . . (39)

To say, then, that the Communist program in the underdeveloped areas of Asia is designed purely and simply as an appeal to the poorest and landless sections of the peasant population is to indulge in an oversimplification of the facts. The Communist appeal is rather a complicated function of the total interplay of political forces in these areas, and has therefore tended to shift both in direction and content with the degree of influence and political power exercised by the Communist parties. The only constant element among all these changes has been the abiding appeal of the Communist system to certain sections of the intelligentsia. Whether the new dispensation of the appeal can be expected to evoke the same degree of sympathetic response from the "national bourgeoisie" and the more prosperous peasantry as the discarded slogan of outright land confiscation had for the impoverished peasants is open to considerable doubt. The avowed transitional character of the program of the "People's Democracy" is alone sufficient to rob these appeals of any sustained response. It does not require any high degree of political sophistication on the part of the "national bourgeoisie," for example, to realize that a full measure of cooperation with a Communist-controlled regime would only serve to hasten its own extinction. How seriously such a withdrawal of support would affect the fortunes of a Communist regime would depend to a crucial extent on the speed with which it could find a substitute support in newly evolved social groups with a vested stake in its continued existence. Some indication of how the problem is visualized by the leaders of the Communist regime in China may be gleaned from the following remarks made by Li Shao-chi in a speech to Chinese businessmen last year:

As Communists we consider that you are exploiting your workers; but we realize that, at the present stage of China's economic development, such exploitation is unavoidable and even socially useful. What we want is for you to go ahead and develop production as fast as possible and we will do what we can to help you. You may be afraid of what will happen to you and your families when we develop from New Democracy to Socialism. But you need not really be afraid. If you do a really good job in developing your business, and train your children to be first-class technical experts, you will be the obvious people to put in charge of the nationalized enterprise and you may find that you earn more as managers of a socialized enterprise than as owners. (40)

(38) Vietnam News Agency in English Morse to Southeast Asia, April 12, 1951.

For the time being the challenge which confronts the West in its efforts to deny the underdeveloped areas of south Asia to the Communist appeal is therefore of two distinct elements. The more obvious of these is, of course, the problem of depriving the Communists of their actual and potential "mass base" by an adequate program of technical aid and economic reform designed to remove the blight of poverty and exploitation from the scheme of things heretofore in force in these areas. The other and more imponderable aspect of this twofold challenge requires the development of an ethos and system of values which can compete successfully with the attraction exercised by Communism for those sections of the native intelligentsia which have been the source and mainstay of its leadership. To date, there is little evidence that the West is prepared to meet either of these challenges on terms commensurate with its gravity.

Morris Watnick

Washington, D.C.

(39) Vietnam News Agency in English Morse to Southeast Asia, March 18 and April 10, 1951.

(40) Quoted by M. Lindsay in New China, ed. O. van der Sprenkel, London, 1950, p. 139.

TAIWAN: A RESOURCE ANALYSIS OF AN ORIENTAL ECONOMY

In many ways Taiwan is a fortunate accident for those who are concerned with the problem of resource and economic development in Oriental societies. Here is a natural laboratory in which economic development of a special sort has taken place, adapted to the features, cultural, geographical, and economic, which characterize most of the non-Westernized societies of Asia. Fortunately also, the natural foundation upon which this development has taken place is varied enough, despite its limited size, to illustrate many of the developmental problems elsewhere associated with agriculture and industrialization, whether in Japan or in South Asia. Only North China is distinctly different in this regard, but even there exist similarities which make eventual comparisons worth while.

On the other hand, Taiwan, like all social examples, is unique in special ways, not only by virtue of its separateness as a geographical unit, but also because of the history of its recent development. Taiwan has been a colony and a direct dependency of Japan's since the end of the Sino-Japanese War in 1895. It has been developed along distinctive lines as an auxiliary unit in the Japanese Empire system which in some ways resembled that of the Metropolitan European powers, but which in others, chiefly those dealing with the consequences of the rapidity of its economic development, possessed its own unique qualities. Thus, Taiwan may be considered in one sense an example of economic development in an Oriental environment; in another, a sample of colonial development; and in a third, a special case of resource development with attributes and problems of its own.

This discussion is meant merely to introduce the character and problems of Taiwan's developmental history as they appear today and bear upon the present political and economic scene. The political considerations, both local and institutional, which dominate in many ways the current Taiwanese economy and possibilities for development are radically different from those which characterized its prewar history. However, in both periods political considerations have played a major and even dominant role in the courses along which resource utilization was encouraged and stimulated. In this respect Taiwan differs only in superficial aspect from the developmental histories of many of the other Oriental countries, whether colonial or ostensibly independent.

The paper is divided rather arbitrarily into three major sections. The first, dealing with the agricultural resources and development of the island, is the longest by far, for reasons that will become clear as it carries along. The second will deal with the industrial potential of the island, the present stage of development insofar as it is known, and the possibilities in the near future. The third, which will be probably the shortest section and in almost every way the most difficult to write, will describe briefly the course of economic development of the island under the Japanese, will attempt to appraise the bases for its success, such as it was, and will generalize to some degree about the applicability of the lessons learned.

I AGRICULTURAL RESOURCES AND DEVELOPMENT

If any area or region can be termed predominantly agricultural, it is Taiwan. Before the war, foodstuffs accounted for 80 per cent of the value of all produc-

tion. (1) Sixty per cent of the gainfully employed were engaged directly in farming and a substantial additional percentage were indirectly dependent on agriculture for their livelihoods. In 1948 3.8 million people were classified under the heading "agricultural population" out of a Formosan population of less than 6 millions and a total population, including mainlanders, of about 8.5 millions. (2) Both before and after the war, the bulk of Taiwan's overseas exports were agricultural; in 1936 more than 90 per cent by value were foodstuffs. In 1950, although the total value of exports had declined significantly, the percentage in foodstuffs was, if anything, higher than it had been fifteen years before.

Taiwan had been developed early by the Japanese as a major source of rice and sugar as well as tropical and subtropical fruits and fibers, and it was not until the middle thirties that other industries were emphasized. Taiwan came to be regarded in Japanese as well as in the world's eyes as a land of great surplus, a jewel of plenty in a Sino-Japanese world of food shortages and subsistence agriculture.

The Geographical Basis for Agriculture

The surface configuration of Taiwan, an island of some 35,961 square kilometers, is determined by the easterly location of a major mountain chain which runs NNE-SSW along the primary longitudinal axis of the island. (3) The bulk of the land suitable for agriculture is restricted to the western half of the island. In the eastern half, only the long narrow rift valley extending between Hua-lien and T'ai-tung is agriculturally significant. Not all of the so-called western plain is topographically suitable for agriculture, however. Long spurs and outliers of the mountains rise above the plain and break it up into units of irregular size. Only within a few miles of the Straits of Taiwan is there a true plain where slopes are minimal enough for cultivation without major terracing or fear of severe soil erosion. Thus, it is not strange to find that only 24 per cent of the total land area is under cultivation. This figure compares favorably with Japan's 16 per cent and Southeast China's estimated 14 per cent, but unfavorably with France's 46 per cent.

There are explanations other than topographic, however, for the low percentage of arable land. Soils are of variable fertility throughout the island. Those in the north are primarily old leached alluvials and diluvials, some residual over

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- (1) One-third of this figure consisted of sugar and other processed foodstuffs which were classified under the heading "manufactures" rather than "agriculture." The same categorization has been carried over into the postwar Taiwan Agricultural Yearbook, T'ai-pei. See Raymond T. Moyer, "Agriculture and Foodstuffs in Taiwan," Foreign Agriculture, January, 1945, p. 4.
 - (2) Taiwan's population now, in terms of the Formosan-Chinese and aborigine elements, is approximately 185 per cent of what it was in 1905, a percentage roughly comparable to that of the United States over a similar period. The addition of almost 2.5 million postwar immigrants from the mainland has, of course, made the gross population increase even more remarkable.
 - (3) The island itself is a tilted fault block sloping to the west and dropping off abruptly to the east.

acidic volcanic materials and others leached of their nutrient materials through centuries of irrigation and a millenium of constant rainfall and poor drainage. In the southwest where the greatest concentration of agricultural productivity is found, most of the usable soils are red and yellow lateritics demanding careful management and derived from sandy and gravelly alluvial fan materials, some of which are too immature and shot with unweathered materials to be fertile. Upland soils are thin and also immature in most cases. The short swift-flowing streams which debouch out onto the western plain carry enormous loads of debris which lay waste one- to two-mile bands of lowlands downstream when the loads are dropped. All the soils of Taiwan demand intensive fertilization in order to counter an infertility which either has resulted from intensive monocultural practices or has existed from the first. These soil problems, however, do not differ except in degree from those of Japan and southern China, as well as parts of Southeast Asia.

Taiwan's major agricultural advantage is derived from a sub-tropical climate characterized by moderate to high temperatures and a long growing season which generally permits the raising of two and more crops each year on a given piece of land. Temperature diversity is extreme, however, due to topographic considerations, since 21 per cent of the island lies at altitudes over 1,000 meters. Temperature variations are less extreme from north to south since the island is laved by the warm Kuro Shio which runs northeastward toward Japan and is similar to the Gulf Stream in its ameliorating climatic effect on the land areas it washes. However, humidity and cloudiness vary notably with changes in wind direction associated with the East Asiatic monsoon effect, and in the north excessive cloudiness restricts multi-cropping. (4)

The major climatic problem is the availability of water. All of the island receives 40 or more inches of precipitation a year, primarily in the summer, except for a relatively narrow strip of western littoral which gets less, but rainfall is both seasonal and variable, except in northeastern Taiwan which receives 80-100 inches of rainfall distributed fairly evenly throughout the year. During the winter months the prevailing winds are northerly and northeasterly and bring rain to the northern part of T'ai-pei Province. The remainder of the island, however, is relatively dry in the northwest and very dry in the southwest during this season since the northeasterly winds are stripped of their moisture by the eastern mountain barrier and the northern winds, running generally parallel to the grain of the country, are not lifted high enough to cause extensive precipitation. Almost the entire southwest littoral is subject to major droughts of 50 days or more at least once every two years.

In the summer months the wind directions reverse and are prevailingly southerly and southwesterly. These summer winds are moisture-bearing, but blow irregularly since the temperature differentials between the warm waters and the land areas over which they pass are low. Much of the rainfall, therefore, in the summer is convectional and again irregular for that reason. During the spring and early summer months the northern areas also fall under the influence of the same

(4) The average number of cloudy days at Chi-lung (Kiirun) is 215.4 per year; at T'ai-pei, 182.6; at T'ai-nan, however, they numbered only 96.5 days. See U.S. Navy, Civil Affairs Handbook, Taiwan (Washington: Navy Department, 1944), pp. 123-132.

stagnating low-pressure systems which cause the "bai-u" of Japan and the spring drizzles of Shanghai. (5) They are the only productive parts of Taiwan to have considerable winter and summer rainfall, but with penalties of cloudiness and high humidities that make the winters dismally chilling.

Land Utilization and Agricultural Methods

The amount of cultivated land in Taiwan has increased substantially since the first years of the Japanese occupation. In 1900 347,000 hectares were reported cultivated; (6) in 1938, 859,000; in 1948, 863,000. (7) Latest estimates for 1950 round off the total at a high of 900,000 hectares. (8) The rate of increase has decreased rapidly and has to all intents and purposes levelled off. The little new land now being placed under cultivation is marginal, usually due to slope factors. Essentially, there is little arable land on the island that is not already under cultivation. (9)

As indicated above, the greatest concentration of land in agricultural use is on the western and southwestern plain. The four western provinces of Hsin-chu, T'ai-chung, T'ai-nan, and Kao-hsiung contain more than 82 per cent of the cultivated land, T'ai-nan alone accounting for over 30 per cent. T'ai-pei Province, which accounts for 10 per cent, is largely mountainous, and agriculture is restricted pretty much to the T'ai-pei Plain. The two eastern provinces, Hua-lien and T'ai-tung, together account for only 5.4 per cent of the arable land although they cover about a quarter of the island. (10)

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- (5) Both Chi-lung and T'ai-pei have two rainfall maxima, one in the late spring due to the "bai-u" and another in late summer. The late summer maximum is due also to the occasional typhoons (average, 6 per year) which affect Taiwan commonly between July and September.

The most thorough discussion of rainfall distribution and variability is to be found in S.C. Chen, "The Agro-Climate of Formosa," Memoirs of the Faculty of Agriculture, National Taiwan University, vol. 2, number 1, January, 1948, pp. 16 ff. (In Chinese with English summary).

- (6) Probably an understatement since the reliability of agricultural censuses at that time is low. The first land survey under Japanese rule completed in 1905 arrived at a total of 628,000 hectares. Y. Takekoshi, Japanese Rule in Formosa, London, 1907, p. 130.
- (7) Taiwan Agricultural Yearbook, 1949, p. 8.
- (8) Monthly Economic Review, #3 (T'ai-pei: Bank of China, Head Office, December 15, 1950), p. 9. Nine hundred thousand hectares is a very high estimate, but may be nearly correct if the numerous mountain-sited dry fields resulting from shifting cultivation are included.
- (9) During the dry season even the outer portions of dry stream beds are cultivated, although sudden storms and flash floods may sweep the work of weeks away.
- (10) C.S. Chen, "Land Utilization in Formosa," Geographical Review, July, 1951, p. 440.

Farm units are small, as in much of eastern Asia, and are privately, not communally or publicly, owned, the major exception being the lands of the Taiwan Sugar Corporation, a government-controlled institution composed of the several Japanese companies which were confiscated after the defeat of Japan. The average farm unit, composed of 6.7 persons, is still in the vicinity of 1.9 hectares, as it was in 1939, but this figure is misleading since it includes the large sugar estates. A much more meaningful measure indicates that in that year 72 per cent of the farm families cultivated lands under the average figure, 46 per cent less than one hectare, and 26 per cent less than 0.5 hectares. (11)

Each farm is divided into a number of small fields which may be separated from each other by a considerable distance. Unlike the situation in Japan where an individual farmer will cultivate several small irrigated fields and several that are on higher slopes and are therefore dry, in Taiwan there seems to be a greater tendency for uniformity. A farmer will tend to have all paddy fields or all dry fields depending on the area in which he lives. Fragmentation is less common in the north where the settlement pattern is identified by scattered, isolated farmsteads, unlike the southwest where villages centered in the fields are characteristic.

The prime characteristic of the agricultural landscape in Taiwan is slope. Few of the stream valleys are broad enough to have level bottoms; in the southwest and west agriculture is concentrated on the gentle slopes of the great alluvial fans which coalesce to form the plains. From the air the western Taiwan agricultural landscape is an infinitely varied mosaic of regular and irregular patches of green, grey, and reddish-brown, with the ash-colored, flooded paddy fields reflecting the sky and climbing the lower slopes of rounded mountain outliers which rise from broken but regularly sloping plains.

This picture is in contrast to the great rice areas of central-south Siam, for example, where the alluvial plain of the Menam Chao Phaya stretches nearly level for scores of miles east and west. In Taiwan almost everywhere the fields are terraced -- gently terraced on the lower slopes of the alluvial fans of the west and on the valley bottoms of the north; more conspicuously terraced on the higher slopes of the fans in the mountains. Even dry crops -- bananas, sweet potatoes, vegetables, maize, wheat, and tea -- often are grown on terraced fields, although the control of soil erosion from the indiscriminate and untterraced cultivation of steep mountain slopes is one of the major problems facing the provincial authorities. (12) The one major exception to the terracing generalization is the sugar estate, where sufficiently large areas of level land, frequently on diluvial interfluvies, have been made available so as to eliminate the need for terraces. On the smaller sugar

(11) Ibid., p. 441. The amount of cultivated land per capita of Formosan population is 0.15 hectares, or 6.6 persons per hectare. The per capita amount available for the present total population is 0.1 hectares or 9.3 persons per hectare. This is somewhat higher than the figures for Japan proper.

(12) The debris-strewn stream flood plains of both the east and west coasts are sufficient examples of the problem's scope. On the east coast at least one major power plant (at Tung-men) has been buried by a fifty foot rise in the river bed. Silting of bottom lands on a smaller scale is commonplace.

holdings, operated by peasant cultivators, however, terracing is the rule rather than the exception. (13)

Associated with the problem of terracing and slopes is that of irrigation, for terracing is intended both as a measure for the controlling of soil erosion and as a device for regulating the supply of water for a given field. This latter function, of course, is basic to all Oriental agriculture, especially where rice is the basic food crop. The present area under irrigation in Taiwan is just under 60 per cent of the total cultivated area, a small decline from the immediate pre-war period. The greatest concentration of irrigated land is in T'ai-nan hsien where 85 per cent of the cultivated land is irrigated.

The term irrigation, however, has several connotations. Essentially, there are three major kinds of irrigation practices, plus combinations, which are practiced in Taiwan. The first is characterized by major damworks which store the water, raise a considerable head which also may be a source of water power, and provide energy to release or pump the water onto irrigated lands of considerable size. This kind of irrigation demands engineering skill of a high order and a major source of capital, usually the provincial government. The second practice is much the same but on a smaller scale. The engineering works are less complex and demand lesser investments, water may be pumped by small engines or by foot power from running streams or ponds, and gravity provides the basic source of energy for distribution onto fields. This method may be government supported, but more often it is a function of the community or of a local Farmers' Association, itself a recipient of some local governmental support. The third method depends simply on precipitation descending upon the individual fields, the water being held by the impermeable clay hardpan two or three feet below the surface and by the earthen retaining walls about the fields. Excess water from the higher fields on a terraced slope is allowed to descend to lower fields through notches cut into the retaining walls. In many instances combinations of the three practices are found, the second and third being associated together more often than any other.

The third method, the most primitive, is most common in the north where rainfall is abundant the year around and large storage basins are unnecessary. However, ponds also are most common in the north, not only as reservoirs in case of unusual drought, but also as sources of rich bottom mud for use as fertilizer and as the home of pond fish and water fowl which augment the traditionally low-protein diet of the farmer. Sparse winter rainfall in the southwest makes ponds relatively uncommon, although there they are perhaps needed most.

The paucity of land available for cultivation and the favorably long growing season have led to the practice of multiple cropping, as a result of which the percentages of cultivated lands cropped have averaged between 150 and 160 per cent. In 1948 the percentage of cultivated land cropped stood at 155 per cent without and 160 per cent with green manure crops included. The highest multiple crop index according to Chen is found in T'ai-chung hsien at 176 per cent; the lowest in Hualien hsien at 142 per cent. Thirty-eight per cent of the cultivated lands consist

(13) These small holdings before the war supplied more than two-thirds of the cane to the sugar centrals on a contract basis.

of double-cropped paddy fields which produce two crops of rice each year and occasionally a supplementary crop as well. Many of the so-called "single-cropping" fields actually produce one crop of rice plus a second crop of other grains or vegetables. Even many of the dry fields produce more than one crop a year, but the larger percentage of them, being at higher altitudes and in the mountains, are restricted to one crop only, thereby depressing the multiple crop index for the entire island. (14) Others may be in sugar cane and limited to that one crop for fourteen to eighteen months. Still others lie fallow during the dry season in the west and south, which may last four to five months.

Intertillage also is practiced, and on lands devoted to both sugar cane and rice the cane may be planted between rows of ripening grain. Vegetables also are planted in this fashion on paddy fields that have been finally drained before harvest. Because much of this produce is used in the household and is grown on single fields, often widely separated, it is not always reported in the government's agricultural statistics. Even considering the understatement of dry fields (see footnote 10) it is safe to assume, therefore, that the multiple crop index in Taiwan is in reality somewhat higher than the best available statistics would indicate.

The use of given pieces of land for more than one crop each year and the continuous increase or maintenance of productivity in the pre-war period depended on the use of enormous quantities of fertilizers. As is the custom in most of the Orient the greater proportion of the fertilizers came from domestic farm sources in the form of composts, animal manure, night soil, green manure, and straw. These aggregated more than 10.2 million metric tons in 1940. Non-farm-supplied fertilizers, though far smaller in quantity, 500,000 tons in 1940, were crucial for the maintenance of yields. 90 per cent of these were imported, of which some 150,000 tons consisted of soy bean and other cakes from Manchuria. The bulk of the remainder consisted of commercial mixed fertilizers and ammonium sulfates, with lesser quantities of super-phosphates, potassium sulfates, and calcium cyanimids. During the war, supplies of commercial fertilizers declined and the Japanese encouraged the substitution of green manure crops in their place apparently with considerable success. (15) Both commercial fertilizers and the use of green manure crops have declined since the close of the war, and their shortage is one of the basic problems facing Formosan agriculture today.

Considerable quantities of fertilizers are supplied by the animals which play an important role in the Formosan farm complex. Hog manure especially returns large percentages of fertilizing elements to the soil. Tests on soy bean cake-fed hogs indicate that 60-70 per cent of the nitrogen and phosphoric acid and 40-50 per cent of the potassium are found in the manure. (15)

(14) The area of dry fields given in the Taiwan Agricultural Yearbook, 1949 as 337,000 hectares, or almost 40 per cent of the cultivated area, is probably too low. It is doubtful whether all of the fields being cropped as part of a shifting-cultivation agriculture are recorded, particularly in postwar statistics.

(15) Owen L. Dawson, Outline of an Agricultural Program for Taiwan, (T'ai-pei, December, 1949), pp. 20-23, 40-41. (Mimeographed report.)

(16) Dawson, op. cit., p. 25.

Hogs also are the major source of fresh meat for the population. In 1939 the hog population of the island was about 1.66 millions; in 1945 it had declined to 577,000; in 1948 it had risen again to 1.16; and at present is estimated at about 1.3 millions. In 1939 there was a per capita slaughter rate of 13 kg., but in 1950 it was an estimated 7 kg. despite a major increase since the end of the war.

Motive power in agriculture apart from humans depends primarily on cattle, 70 per cent of which are carabao or water buffalo, the remainder being the native yellow cattle intermixed with some humped Indian cattle. During the war the total number of cattle decreased from 324,000 in 1939 to 280,000 in 1946, a major decline in numbers but less proportionately than that in hogs. The water buffalo are used primarily as work animals in the paddy fields; the other cattle are also used in the fields but are more commonly employed on the roads. Both contribute to the meat supply, but to only five per cent of the extent of swine.

General Status of Agricultural Production

The close of the war and the occupation of Formosa by the National Government was followed by a drastic decline in the output of Taiwanese agriculture. The elaborate system of agricultural organization and supervision fostered by the Japanese and supported by an estimated 20,000 technicians had crumpled. At the same time supplies of commercial fertilizers and bean cake were cut off, irrigation facilities deteriorated, distributional mechanisms and overseas markets faded away, and the Formosan economy reverted to the self-contained state which had characterized it before the Japanese period.

As before the war, however, rice, sweet potatoes, and sugar cane together account for the greater percentage of the value of agricultural production, almost 70 per cent in 1948. Lesser crops of importance are tea, bananas, pineapples, vegetables, and citrus fruits. Rice and sweet potatoes are distributed over most of the arable land in all the hsien, rice occupying the better soils in valley bottoms and lower slopes, sweet potatoes occupying higher slopes and poorer sandy or gravelly soils. Sugar cane, however, is restricted primarily to the southwestern quarter of the island, although some varieties are grown for local unprocessed consumption elsewhere. (17) Tea is concentrated primarily in the northern foothills; bananas are found throughout the agricultural areas in some quantities but are concentrated along the margins of the western foothills and outliers; pineapples are grouped in two major nodes, slopelands in T'ai-chung and Kao-hsiung hsien and in a minor node in eastern T'ai-nan. (18)

Since 1947 gross production figures in Taiwan have shown a major change for the better and are beginning to resemble those of the pre-war period. In 1950 the total amount of rice produced, 1.4 million metric tons, equalled that of 1938. The amount of land occupied by rice, however, had increased from 625,000 hectares in 1938 to 770,000 hectares in 1950. This indicates a decline in per hectare yields from 2.25

(17) Javanese canes have replaced Hawaiian as being better suited to Taiwan's soils and climate. M. D. Otaki, "Sugar Industry of Formosa," Sugar, June, 1939, pp. 23-24.

(18) Crop distributions are mapped in C.S. Chen, Atlas of Land Utilization in Taiwan, (T'ai-pei: National Taiwan University, 1950).

tons to 1.82 tons. Although there is more than one explanation, it appears that much of this decline is due to the fertilizer shortage. In 1938 390,000 metric tons of commercial fertilizer were used on riceland; in 1950 235,000 tons were used and on a 20 per cent larger area. (19)

The same declines are evident in the production of sugar where again fertilizer shortages are in part responsible. In addition, and perhaps more important, there has been a major reduction in sugar acreage from 167,000 hectares in 1938 to 118,000 hectares in 1949 to an anticipated 79,000 hectares in 1951. (20) Sugar production, therefore, understandably stands at 600,000 metric tons in 1949-50 as compared with 1.4 million tons in 1938, and it is expected that production this year will fall to 350,000 tons. (21) Meanwhile, the average yield per hectare has fallen from 79 tons of cane in 1939 to about 40 tons in 1949.

The decline in sugar-cane acreages can be explained simply in terms of the competition between cane and rice for land, (22) and the price of rice has been sufficiently high to make its cultivation, traditionally favored among Taiwan's farmers, even more attractive. Under the Japanese, sugar-cane cultivation was subsidized by such means as lower taxes on cane lands and the supplying and control of irrigation facilities. At the present time such inducements are not being promoted. The result has been a decline of sugar cane from some 17 per cent of the value of all agricultural production in 1938 to a little over 7 per cent in 1949. The situation is complicated by the relatively adverse climatic and soil conditions for canes in Taiwan, where the best lands are in paddy. This is reflected in higher costs for Taiwan cane than for Hawaiian, Javan, or Cuban cane, although sugar production per unit area per annum has been high. Ch'en maintains that the area of sugar acreage should be limited to some 120,000 hectares (assuming that Taiwan were reintegrated with China) and that more favorable areas should be exploited in Hainan Island and southern Kwangtung. (23)

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- (19) Monthly Economic Review, Bank of China, Dec. 15, 1950, p. 9. Imported fertilizers in 1940 amounted to 50 per cent by value of all fertilizers used and 89.5 per cent of all commercial fertilizers. See Taiwan Keizai Nempo, 1942, Part III, p. 264.
- (20) Approximately the holdings of the Taiwan Sugar Corporation.
- (21) Low point was 1947 when 30,000 hectares were planted to cane. In 1947, also, production of sugar hit a new low, 31,000 metric tons. Monthly Economic Review, Bank of China, Nov. 15, 1950, p. 9.
- (22) About one-fourth of the pre-war sugar cane acreages were paddy fields also used for wet-rice cultivation. Taiwan Keizai Nenkan, 1942, Part III, p. 83.
- (23) Ch'en, Cheng-hsiang, Land Utilization in Taiwan, (T'ai-pei, 1950), p. 319. (In Chinese.) Ch'en, however, does not give comparative cost figures for Formosan as compared to other sugar production, although he and other commentators refer to the inability of the Formosan industry to compete with Javanese and Cuban sugar on a free world market. But in 1938 Javanese sugar was being quoted at 8 yen per picul as against 10 yen for Japanese (Formosan). M. Otaki, "Japan's Trade and the China Incident," Sugar, May, 1938, p. 43.

The biggest increase in the production of a major crop has been that of sweet potatoes, from 1.7 million tons in 1938 to 2.2 million tons in 1950, like rice on considerably increased acreages. Although accurate statistical information is not available, most of the land representing the difference between the 133,000 hectares in 1938 and the 220,000 hectares in 1950 undoubtedly was occupied formerly by other crops, probably sugar cane, possibly bananas, pineapples, and tea. Some of it, however, is land brought recently into cultivation, usually on slopes too steep for normal agriculture.

Among the lesser crops of note on the island, tea and pineapples are well below the output of 1938. Bananas are approaching the pre-war production levels, although the quality of the fruit is reportedly much lower than before. Groundnuts and wheat are two secondary crops of which output has gone up substantially, but in the total crop complex they are of small significance still. Both may be reflections of the influx of wheat-eating central and northern Chinese and of styles of cooking which require oil, usually peanut oil, in large quantities. (24) Jute production, which was encouraged by the Japanese to help meet their hard fiber deficits, is up to pre-war levels. Other fibers, never important because of their competition for land with rice, have made little recovery. (25)

In addition to the limited sources of meat which have been referred to above, there is a major source of protein in the barnyard fowl found on every farmstead -- ducks, chickens, geese, and turkeys. The estimated poultry population is some 8 millions, or about one for every person. The possibilities for establishing a major poultry industry, including eggs, are considerable, but again the problem is to provide high quality chicken feed, much of which as yet has to come from abroad.

An additional source of protein comes from the waters surrounding and on the island. In 1939 almost 100,000 metric tons of fish were taken from coastal and in-shore fisheries and from fish culture ponds in the interior and along the coasts. In 1948 a total of 85,000 tons were harvested; of these 62 per cent were from the sea and the remainder were raised ashore. This represented over 10 kilograms per person per year. Present production is still higher, but the possibilities for greater production are yet undetermined. Motored fishing boats are few, the bulk of the post-war sea catch coming from bamboo sea sleds which operate within a few thousand yards of shore. The possibilities for greater production depend on increasing numbers of modern fishing boats, investigation into fisheries resources, and improved fish preservation and marketing facilities. Once these objectives are accomplished, fish production should far surpass the output during Japanese times, and scientific pisciculture should fit in well with current practices.

(24) Without making too much of this point, it is worth noting that Formosan cooking before the influx of mainlanders resembled that of Japan, rather than China, in that it depended on rice, fish, vegetables, and some pork, simply prepared with few sauces. Today it is possible to obtain, at least in T'ai-pei, the rich sweet and sour dishes of Canton, the noodles and broths of Shang-hai, the dumplings and wheatcakes of Tientsin, and the better sauces and ducks of Sze-ch'uan.

(25) For production and acreage statistics, consult the Taiwan Agricultural Year-books, 1948, 1949, 1950 editions.

At present there is a relative abundance of food despite the increase of population from 6 millions in 1939 to an estimated 8.5 millions in 1951. In 1950 there was a rice surplus of about 150,000 tons of which 70,000 tons were licensed for export in 1951. Until this time no foodstuffs other than sugar were licensed for export. The rice surplus, however, is considerably smaller than that of the immediate pre-war period when as much as 677,000 tons of rice each year went from Taiwan to Japan. (26)

Prospects for Agricultural Development

The outlook for the future indicates decreasing food surpluses, unless immediate remedial measures are taken, and these may be limited in efficiency. But the problem will not be simply one of supplying foodstuffs for domestic consumption in the near future, but rather one of producing enough of an agricultural surplus to maintain a large export volume and bring in foreign exchange. More than 80 per cent by value of Taiwan's exports in 1950 consisted of sugar, but sugar output is declining and there are few indications that it will ever rise considerably over 350,000 tons. Other products are not being produced in surplus, except in small quantities and except for rice which is being stockpiled for strategic reasons. Without increasing exports of this kind, (27) there is little possibility of gaining the foreign exchange with which to purchase commercial fertilizers and bean cake so vital to the maintenance and increase of agricultural production.

The two main lines of endeavour are to maintain and expand the areas under cultivation and to increase production per unit area. Tied in with these two is the long-run objective of diversifying the occupational structure of the country so that non-agricultural employment opportunities exist for the production of goods which can be exported or which need not be imported, thereby increasing the effectiveness of the limited export surpluses that do exist.

To maintain and expand the areas under cultivation demands an intensive program of soil and forest conservation control. The slopes of Taiwan's hills and mountains are plastered with rectangular patches of cleared land in sweet potatoes, bananas, and vegetables from which soil is washed at an unforgivable rate and which contribute to the flooding and silting of fertile river valleys downstream. Although

(26) The pre-war trade between Taiwan and Japan is summarized in N.S. Ginsburg, Japanese Prewar Trade and Shipping in the Oriental Triangle (Chicago: University of Chicago Libraries, 1949), pp. 112-117.

(27) This does not mean necessarily increased emphasis on sugar cane production, since Taiwan's competitive position in the world sugar market is none too high, as indicated above. Other crops for which markets are available in Japan and elsewhere, rice, pineapples, bananas, fibres are other possibilities. However, it should be noted that alcohol is an important by-product of sugar refining, and over 16 million gallons were sent to Japan in 1939. In any case, if sugar acreages are restricted in the future, then localization will be increasingly in the southwest away from the north where they compete most significantly with paddy. This trend was already in evidence during the war when the Japanese were emphasizing rice and sweet potato production at the expense of cane.

reforestation of these areas and their restriction in size will result in an immediate decline in cultivated land, the more productive bottomlands will be protected. At the same time, check dams and other water control devices in the uplands also can help alleviate disastrous flooding and can supply controlled water for irrigation and possibly power. (28)

Since the seasonal water shortage in the southwest is such a basic problem, the exploration and exploitation of ground water resources is necessary so that water may be brought to areas which now are uncultivated, lie fallow during the dry season, or whose productivity is relatively low. In the main, however, these practices cannot add greatly to the amount of arable land on the island, although they are indispensable to the productive maintenance of the cultivated area. Such large-scale expansion as is possible would demand more terracing at increasing cost or reclamation from the sea along the western coast. By far the largest amount of economically-suitable arable land has long since been occupied, and the total land under cultivation has remained about the same for more than fifteen years. (29)

The possibilities for increasing unit area yields, however, are more encouraging. Water control and drainage often will permit two crops each year to be grown where one was grown before. Technical aid in the form of better seeds, tools, and general farming practices can be supplied to replace the agricultural advisers and technicians formerly supplied by the Japanese. New crops can be produced and better rotation systems can be developed, even though the practices of the Formosan farmer are in large part the result of generations of experience. Basic, however, among these possibilities, is the problem of fertilizers. In this regard the increased use of green manure crops and of hog and other animal manures in compost heaps are considered basic to the solution of the fertilizer problem. (30) Soya bean production can be encouraged to augment the fertilizer supplies, and the release of rice surpluses for export will provide foreign exchange with which fertilizers from Japan and elsewhere can be purchased.

Mechanization, of course, has come to be regarded as one of the great panaceas for the ills of Oriental agriculture. Although mechanized rice cultivation takes place in the southern United States and to some extent in Italy and Spain with considerable success, both the natural and cultural conditions under which these enterprises operate differ radically from those in Taiwan and the Orient. (31) Among

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- (28) The problem is no less serious because of the fact that Taiwan hill soils wash less easily than their temperate equivalents because of a high lateritic plasticity.
- (29) Along the margins of the T'ai-pei basin are low uplands cleared of trees but uncultivated. With increasing population pressures on food supply these will be brought into use, but their gross contribution will be relatively small.
- (30) Although non-commercial fertilizers amounted to only 50 per cent by value of all fertilizers consumed in 1940, they contributed 10.2 million out of the 10.7 million metric tons of all fertilizers consumed. Taiwan Keizai Nenkan, 1941, p. 268.
- (31) It may be worth noting that the water buffalo, unlike the tractor, contributes fertilizers in the form of manure, a hide and meat when he dies, a successor

the significant natural obstacles to machinery are topographic barriers. There is indeed so little level land, and the terraces painfully reclaimed from slopelands are sorely small, too small for machinery in use today. Fields themselves are too restricted at this time for the economical use of machines, but this obstacle could conceivably be overcome, but with considerable social disturbance, by rationalization of field distribution. This is, of course, a technique in itself for increasing the cultivable area by eliminating some of the field barriers and inter-field paths. In some areas it is estimated that the cultivable areas can be increased by as much as 10 per cent in this fashion.

The cultural barriers to machinery are several. First, double-cropping and intertillage create conditions that machines have not yet been organized to meet. Furthermore, there is as yet little evidence that machinery of any kind can increase the per acre yields of rice, most productive per unit area of any of the cereals. Yields in Japan of paddy are half again as great as those in Louisiana, without machines but with an intensity of human energy concentrating on minute tasks elsewhere unequalled. (32)

Lastly, the use of machinery must result in the displacement of a sizeable rural labor force, already with little enough to occupy it productively. But to what? And for how long a period of transition?

The farmer also must be provided with personal incentives to produce beyond his immediate needs and at an increasing rate, an incentive such as land reform. To this end, in April, 1949, with the encouragement of and under the tutelage of JCRR (33) personnel the Taiwan Provincial Government instituted a program of land reform, the basis of which was the reduction of rents from their previous heights of up to 70 per cent to 37.5 per cent of the main crop. In addition, a standard contractual form was set up which assured the tenant that he would not have to pay rent on secondary crops, that his tenure rights to the land would be established for at least three years, that his rentals would not have to be paid in advance.

The program apparently has been implemented successfully, although it does not completely satisfy the desire of most Taiwanese farmers to own the land they cultivate. But it has lent encouragement to the 67 per cent of the farm families which are wholly or partly tenants. Unfortunately, as Ladejinsky points out, the land tenure reform was not an expression of popular will and cooperation, but was

in the form of a calf, and at the same time consumes only farm-produced wastes and puddles the soil of the paddy field as he pulls the plow or barrow.

- (32) V. D. Wickizer and M. K. Bennett, The Rice Economy of Monsoon Asia (Palo Alto, 1941), pp. 233 and 318.
- (33) The Joint Commission on Rural Reconstruction in China was set up in August, 1948, as a jointly-administered Sino-American body supported with ECA funds, the job of which was to assist in the reconstruction and rehabilitation of rural areas in China. At the present time the Commission is operating solely in Taiwan after being driven from the mainland by the Communist advance. Its financial tieup is with ECA. See the ECA pamphlet, "The Program of the Joint Commission on Rural Reconstruction in China," 1950.

imposed from above through government and JCRR efforts. (34) If this indicates general apathy toward the government and therefore the island economy as now constituted, it cannot help but decrease the production advantages which may in time accrue to the reformation. That the program will materially aid the economic position of Taiwan's still undernourished and ill-rewarded farmers, however, is unquestionable.

In addition to its land reform activities JCRR has developed programs for agricultural and rural improvement over a broad front, but with limited funds of less than \$2.5 millions per year available. General activities for agricultural improvement include the introduction of new varieties of field crops, technical advice on production methods, reforestation for windbreaks, and plant disease control. Farmers' organizations, modeled after less democratic Japanese-sponsored prototypes, are assisted and encouraged with funds and advice. Rural health programs are being developed and implemented. Irrigation problems are being attacked on a short run basis, and projects are developed and subsidized. Animal diseases are being studied and treated, and improved stocks are being imported. Lastly, the fertilizers imported under ECA auspices and with ECA funds are distributed by JCRR. These fertilizers have recently accounted for about 35 per cent by value of the ECA funds approved for commodity procurement. (35)

In brief, the JCRR is taking the place of the Japanese agricultural organization which advised and assisted the development and maintenance of the Taiwan agricultural economy. Its objectives are short run, but follow the general outline of partial solutions to Taiwan's agricultural problems suggested above.

The food problems of Taiwan are not nearly so acute as those of the countries nearby, China and Japan being major examples. In fact, in a sense there is now no problem in subsistence terms at all, since it appears that a not inconsiderable surplus of foodstuffs will be available for some years to come. At the same time, Taiwan is trying to shift for itself in an economic world that is disrupted and demanding and in a political world that is close to real war and adjacently hostile. If it is to possess a stable economy, it must produce an export surplus of foodstuffs; if unrest in the rural areas is to be avoided, economic stability is essential and this means greater quantities of consumers' goods paid for directly or indirectly by agricultural exports.

(34) W.I. Ladejinsky, "Land Reform in Formosa," Foreign Agriculture, June, 1950.

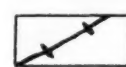
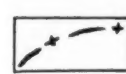
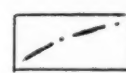
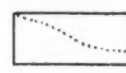

(35) Monthly Economic Review, Bank of China, Dec. 15, 1950, p. 11.

(Part one of a two-part article. Part two will be published in the next number of this journal.)

Norton S. Ginsburg

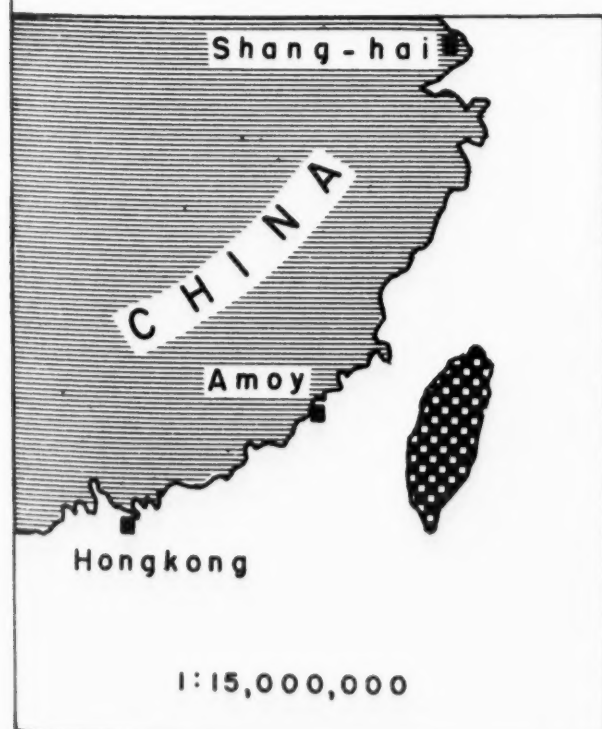
Research Center in Economic Development
and Cultural Change
University of Chicago

TAIWAN

-  Main railways
-  Hsien (provinces)
-  Counties
-  Townships
-  Municipalities

SCALE
1:1,000,000

Pescadores



NSG

NOTE ON ILLUSTRATIONS

Taiwan is a land of plains and mountains. The characteristic landscape scene in the Formosan ecumene includes plain or basin floor (Fig. 1) rimmed by hills and mountains and covered by a network of paddy fields, usually gently terraced so as to control the irrigation water for the fields. Rural settlement tends to occupy the land least suitable for wet-rice cultivation. Villages tend to be strung out along the margins between the uplands and the lowlands, each house set off by fruit trees and by clumps of giant bamboo. Roads also cling to the edges of the lowland, but railways sometimes cut across the cultivated land and rise on their embankments high above the flooded fields.

About half of Taiwan's cultivated area is in paddy fields. Rice cultivation is a labor-intensive activity, and at peak periods, such as transplanting, demands the services of an abnormally large amount of labor. The upland slopes marginal to the paddy fields are often terraced and planted in grains other than rice or in vegetables (Fig. 2).

Each field is artificially leveled, and many have been carved out of lands with highly irregular surface configurations. Embankments one to three feet high rim the fields and hold both soil and water on them (Fig. 3). Farm structures consist chiefly of a dwelling unit which is usually substantially build of local brick.

Along the ridges of the lowlands cultivated fields, carefully terraced, climb upward along natural drainage courses (Fig. 4). Tools are simple and primitive, and motive power is supplied by water buffalo or other oxen. The fields are carefully prepared by plowing and harrowing before transplanting takes place. In the uplands themselves, farther from the plains, whole hillsides may be terraced, each terrace rising three to six feet above its neighbor (Fig. 5). The terrace walls (of clay and stream-washed boulders) must be carefully tended to prevent landslides. Individual farmsteads are characteristic.

At higher altitudes, farther from the centers of population, deep valleys, almost entirely flood plains, bite into the mountains (Fig. 6). Since rainfall is highly seasonal, streams are narrow and occupy only the center of the valleys in winter, but cover entire valley floors in the rainy summer. Slopes are largely in forests, which are tapped for valuable woods such as camphor, made accessible by narrow-gauge, hand-powered railways.

Mountain settlement, chiefly of partially Sinicized aborigines, is usually localized on natural stream terraces (Fig. 7). The tribesmen cultivate patches of crudely terraced land cut out of the mountain slopes. In these mountains the Japanese have constructed dams and power stations which generate power from the swift-flowing streams.

The urban landscape of Taiwan is Westernized, but along Japanese lines (Fig. 8). Each town bears the imprint of Japanese styles of architecture, but the population today is almost wholly Chinese.

Fig. 1



Fig. 2





Fig. 3



Fig. 4

Fig. 5



Fig. 6





Fig. 7



Fig. 8

NOTES ON THE GOVERNMENT OF INDIA'S FIRST FIVE YEAR PLAN: JULY, 1951*

The following are brief notes on the draft outlines of the first five year plan. They are intended to bring to notice certain important gaps and points of criticism. For a variety of reasons no attempt has been made to argue out the points elaborately.

In these notes the plan has been examined chiefly from three points of view. (1) The programme of investment that has been set out and the manner of its determination; (2) Measures proposed for attaining targets and production plans, their adequacy and efficiency; (3) The social directives in the Indian Constitution and the possible economic and social results of the plan.

I.

The main investment outlays are concerned with agricultural production; and chief among these are the irrigation and power schemes. It is not clear how the list of irrigation and power schemes included in the plan was made up. There could, for example, be two important criteria used in locating expenditure on irrigation development. Firstly, expenditure on irrigation works could be concentrated in regions where insecurity on account of scarce or uncertain rainfall is heavy; or expenditure could be concentrated in regions where additional production, brought about because of investment in irrigation, gave the largest returns. In practice, some consideration may be given to both these criteria.

An examination of the actual works finally included in the five year plan in relation to, for example, Bombay State, shows, at least apparently, a disregard of both these criteria and can be explained in relation to no obvious tests on which the final decision could be supposed to have been based. The statement below (see Appendix) sets out the projects in what was the central division of the Bombay Province included in (1) the post-war plan of reconstruction in Bombay Province published by the Government of Bombay in 1944 (2) Post-war reconstruction in Bombay Province five year plan 1947 and (3) the proposals regarding the same area contained in the first five year plan. It should be noted that this area contains one of the most extensive tracts of Peninsular India liable to famine. Irrigation expenditure in this tract secures not only protection, but also leads to increased production, in a specially large measure per acre, because of the low utilization capacity previous to irrigation. Both these special advantages have been recognised since the days of the Irrigation Commission (1900) and a large number of projects have been in an advanced state of preparation for a long time. The entire elimination, progressively since 1944, of irrigation works in this tract excepting for one work, on which nearly one-third of total expenditure has already been

* Professor Gadgil's notes refer to The First Five Year Plan, A Draft Outline, by the Government of India Planning Commission (New Delhi, 1951), 295pp. Rs. 2 as. 12, or 4/6. The Editor wishes to acknowledge the kindness of the Government of India Information Services in providing him with a copy of the plan. Readers who may wish to obtain a copy of the plan are advised to communicate with this agency.

incurred is presumably based on reasons which have nothing to do with economic or social objectives. The plan, no doubt, contains figures about the number of areas proposed to be irrigated by each work and it may be supposed that these together with the cost estimates may have formed the basis for determining priorities. Such an assumption would, however, be unwarranted. It is well-known that even the technical and engineering aspects of many of the works included in the plan have not been prepared in full detail. A land utilization plan for the area under command after completion of irrigation was not undertaken even in the past, when the engineering plans were prepared in a more leisurely and thorough manner; and an assessment, of economic benefits, it is safe to assume, has been attempted for no work. The area figures, therefore, represent calculations with no real agricultural or economic significance.

An additional criterion for investment expenditure on development could be disparity in regional development. The poorer regions should obviously be allotted special priority in development investment if such investment can profitably be made in them. From this point of view again the allocations made in Bombay State are difficult to understand. The Bombay State allocations have been specially referred to because I have personal knowledge of comparative conditions within the state. Nothing is, however, said in the plan to indicate that in framing the plan of irrigation investment in other areas also any set of criteria or tests had been adopted.

What is said regarding irrigation seems to apply equally to investments for generating electric power. The study of economic effects of irrigation may not be always considered essential as it is presumed that an increased and secure water supply is bound to benefit every tract (the proposition is, of course, not universally true). In the case of electric power, however, a study of possibilities of economic use as related to cost is of the utmost importance. It is only if, for either agricultural or industrial purposes, a considerable amount of electric power generated in a particular place can be utilised profitably in the neighbouring region that an investment for its generation is immediately justified. In the absence of such utilisation what will happen is either a waste of investment resources or an unprofitable diversion of electric power from the centre of production to the nearest large city centres. A plan for the development of electric power which is not integrated with a plan of development for industries with special reference to their location is thus completely meaningless. At present, investment in electric power generation appears to be proposed merely because certain engineering possibilities exist. Obviously in this respect as in schemes of irrigation, a series of criteria and tests must be laid down for testing priorities of investment expenditure.

A necessary corollary of generating electric power in regions where there is no demand for it or where pari passu proper industrial development is not planned is that the power is diverted to distant centres of existing industrial concentration. This further intensifies regional disparities by diverting the developed resources of backward regions for the increased benefit of the already well advanced. Thus here as elsewhere in the plan it is assured that those who have, get more.

Another aspect of plans of irrigation and electric power development is the planning of the subsidiary and ancillary works that are necessary for the proper utilization of water and electricity. It has been the experience both in India

and the U. S. A. that without the previous planning of such works an unnecessarily long time elapses between the provision of water and electricity and its full use, and even when full utilization is reached it does not, when left to chance, necessarily take the most desirable directions. It does not appear that this aspect of the problem has been at all attended to in the schemes drawn up for the five year plan.

We may next consider another main aspect of investment expenditure, that of industrial investment. A plan for industrial investment may be framed in relation to a number of criteria. These criteria, it may be expected, will be explicitly stated in the plan for the first five years, of what is presumably a long term development process.

There is some discussion of priorities in planning in the sphere of industry, chiefly from the short-period point of view, in the plan. From this discussion it would appear that the development of producer goods industries is related chiefly to the development plan of agriculture, irrigation and electricity. Curiously enough, generation of electricity itself is nowhere considered as having special significance, only in relation to a plan of potential industrial development. Even with a recognition of the fact that conditions in India are favourable for the expansion of steel, cement and fertilizer industries no substantial provision for investment in these industries is made in the plan. Similarly, though it is recognised that the development of other producer goods industries is useful from the point of view of establishing some sort of balance in the industrial structure, no special provision for the expansion of these industries has been made. The same gap is evident in relation to pig iron though the report places more emphasis on it. As a matter of fact, the additional industrial investment visualised in the plan is very limited and the increase in production of even important consumer goods industries is to be achieved chiefly by utilization of fuller capacity.

In the entire field of large scale private industry the total new investment is expected to be of the order of Rs. 125 crores (roughly \$250 million). This together with the requirements of the accumulated need for replacements and renovation is expected to require a total investment of about Rs. 250 crores. The figure of Rs. 250 crores is in addition to the Rs. 80 crores that are provided as investment on account of government in the field of large scale industry but is inclusive of an indefinite sum, of the order perhaps of 35 to 40 crores, which may be provided through semi-official agencies like the Industrial Finance Corporation or directly by government. It is thus clear that the five year plan visualises only a very limited expansion of industrial equipment or employment and that further it does not plan this development in such a way as to lead to any progressive expansion of employment or an elaboration of the industrial structure in subsequent periods.

In a country like India, it is obvious that importance should be attached to an increasingly complex structure of economic society and the generation of a rapidly increasing pace of non-farm employment. The plan of industrial development should properly have been presented in the light of some such general considerations. The fact that it is not so presented makes it difficult to pass an informed judgment on it. In all countries at an early stage of development special emphasis is placed on the rapid growth of basic industries on which the later development of industrial structure depends. (This is emphasized by the almost equally urgent consideration of defence industries.) In countries in which the fundamental con-

ditions are not favourable to the increase of basic and capital goods industries special efforts are made to force their growth. It is thus surprising that in spite of the favourable conditions for production of basic materials such as pig iron and steel no large planned provision is made for their expansion. Thus apart from the details of the plan of industrial development the relative weight attached, in the plan, to agricultural and industrial investment is itself difficult to appreciate.

The picture of the industrial employment plan becomes even more confused and less intelligible when one considers the section on small scale and cottage industries. The total expenditure by government on these industries provided in the five year plan is less than Rs. 16 crores. At the same time, however, these sectors are relied upon to provide the main avenues of additional employment of the future. The development of small scale and cottage industries is supposed to be capable not only of providing additional employment but also of building up local industries capable of expansion and of developing domestic markets. It is unfortunate that a sector on which so much is supposed to depend is treated most unsatisfactorily in the plan. It would appear from one of the recommendations contained in the plan that the conditions and problems of small scale industries are yet not fully understood, and that a detailed survey, in which evidently technical assistance from foreign experts may be required, is yet to be undertaken. Whatever results such a survey may bring forth, attention should have been drawn to certain fairly obvious facts. The basic problem of economic development in a country like India has been described as that of underemployment; and it is the lack of continued employment in agriculture together with its inadequate equipment that is supposed to be responsible for its very low productivity. It needs to be emphasized that the productive efficiency of the small scale and cottage industries is equally low, and that the low product per worker in all cottage and most small industries is also due to inadequate equipment and underemployment. The problem of small scale and cottage industry consequently has to be treated essentially in the same way as that of agriculture; only there are two circumstances which make the task of development of rural cottage and small scale industry even more difficult than that of agriculture. There are no possibilities such as those of irrigation works in agriculture of intensifying exploitation in the field of small scale and cottage industry. Secondly, the position of these industries is being continuously undermined, to an extent unknown in agriculture, by competition of products of large scale industry. The rehabilitation of these industries is therefore a delicate problem which has at least three important aspects: (1) finding out ways of technical and economic reorganization which would make production in these industries much more efficient than at present without altering its social character. (2) investment in capital and technical training required to bring about this reorganization and (3) guaranteeing, for a given period, a sheltered market for the product of these industries so as to make the reorganization possible and durable for a minimum period. Without these three steps a proper rehabilitation of small scale and cottage industries cannot be contemplated. Even when all these steps are taken employment in these industries is not likely to increase. All that could be done would be to stabilise the employment by stages at progressively lower levels but to attain, at the same time, higher productive efficiency. (1)

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- (1) A programme for the creation of small scale industries which are ancillary or subsidiary to large scale machine industries is entirely another matter; but such a programme would be possible only with a properly planned development of large scale industry.

Not only is additional employment in small scale and cottage industry difficult to visualise if their productive efficiency increases, but also all three steps indicated above require action and investment which are not visualised in the plan. With the measure of expenditure given in the plan and the steps contemplated in it neither an increase in employment nor in the level of earnings in these sectors of industry seems to be possible.

II.

We may now turn to the production targets set up in the plan and the manner in which they are expected to be attained. It is not our intention to examine whether the estimates of production to be attained are related realistically to the investment programme. Assuming that they are so related we would discuss the means by which it is expected that they would be attained. It is pleasant to note one feature of the draft outline plan which marks a definite advance on official thinking so far. The plan clearly states that for the fulfilment of the objective defined in the plan it is necessary to have a price policy that secures the appropriate allocation of resources and that a structure of controlled prices is an important adjunct of the plan. However, the difficulties of working only with a price plan do not seem to have been adequately realised. It should be obvious that a price policy which is related to certain over-all objectives may not fully subserve the detailed objectives of the plan. For example, the maintenance of a given parity between sectional prices and the larger objective of holding, and in due course reducing, the general price level may not at times be mutually compatible. Moreover, the price policy has to be determined and price relatives fixed for the country as a whole. These relatives may not be fully appropriate for given allocations of, say, crops in each agricultural region. The relative margins and differentials required for diversion of means between cereals and oil seeds will not be the same in all regions and yet the general price relations will have to be fixed on the basis of certain all-India estimates or averages. In the circumstances, it is clear that the targets laid down in the plan for specific crops cannot be attained until these are broken down for regions and smaller area units and specific supplementary provisions made for their attainment.

The only means of planning agricultural production contemplated in the plan is that of village production councils. The village production council is obviously not a suitable agency for over-all decisions like general regional crop plans or targets of production. Unless crop plans for comparatively large homogeneous areas are worked out in the broad, and legislative or other regulatory devices framed for directing cultivation or laying down lower and upper levels of particular crop allocations, there is no guarantee that the targets in the plan will be attained. With an area crop-plan backed by regulatory powers and devices, village production councils may prove useful; but without it the energies of these councils are not likely likely to be specifically directed, and their performance is likely to vary enormously with local circumstances.

Apart from the direct attainment of crop production targets, attention may be paid to the proposals of the commission for the reorganisation of agriculture. The commission refers to certain measures of land reform like the abolition of Zamindari and the protection of tenants. These questions are of old standing and nothing departing, to any marked extent, from the trend in previous policies is suggested.

The really important aspect of the Plan is that dealing with the reorganization of agricultural production and the productive unit. The three main proposals of the Commission on this score are the establishment of village production councils, the establishment of registered farms and the promotion of cooperative farming societies. Village production councils will be chiefly advisory and consultative bodies and will have little direct productive work. The concept of registered farms follows from the case argued out by the Commission against any ceiling on further land acquisition. The Commission argues against the break-up of existing especially large holdings and limiting the possibility of increasing the size of such holdings. It proposes no bar to an increasing concentration of the ownership and operation of agricultural land; instead of preventing increasing capitalization of agriculture the Commission proposes to create a special class composed of large-sized farms and to treat them in a special way. The value of the proposal in relation to production will depend on the control over the production plans and performance of registered farms which the State is able to obtain, and the efficacy with which these powers of control and direction are capable of being exercised. The social aspect of registered farms will be considered later.

The number of registered farms and even the total agricultural area controlled by them will, at least for a long time, remain small. The main reorganization proposal respecting agricultural production is, therefore, the one for the promotion of cooperative farming societies. It is no exaggeration to say that there are to-day in most states of India no cooperative farming societies proper in existence and that the formation of such societies has been found to be one of the most difficult problems in cooperative organization. Pooling existing holdings of land and forming a joint cooperative productive organization has been realised everywhere to be the most difficult, and logically the last, step to be taken in agricultural reorganization. There are a number of steps which would have to be taken to increase the income of the agriculturist and to influence his productive methods and efficiency before going on to complete cooperative organization of production. The most serious handicaps of the agriculturist and the largest sources of his loss of material income are to be found in marketing and processing activities. Even in boom times the largest advantage is obtained by the intermediate merchandising and processing agencies. This can be seen in the rapid increase of the wealth of these agencies in various tracts during the last ten years. These agencies also are chiefly instrumental, through a variety of practices, in making difficult the progress of co-operation and the operation of State measures of direction and control in all sectors of rural life. It is surprising, therefore, that the Plan nowhere makes any reference to the important part played by marketing and processing activities in agriculture and the possibilities of reorganization through their nationalization or reorganization as cooperatives. A programme of agricultural reorganization must begin by concentrating attention on the reorganization of marketing and processing activities. A programme by which all marketing of agricultural products comes, after a time, into cooperative hands is a sine qua non of agricultural advance.

There is also a strong case for the nationalization of agricultural processing activities. In most instances, there is redundant capacity in processing industries and, in a large number of cases, the processing agencies can and do act in concert regarding charges, etc. The location of processing activity in relation to marketing activity is also important in agricultural organization. Processing activity is, in many instances, closely connected with problems of agricultural procurement and the maintenance of agricultural prices. These activities should, therefore, be

nationalized as early as possible if planned progress of agriculture is visualized. There is a much stronger case for nationalization of these activities than there was for the nationalization of road transport. When processing is nationalized and marketing comes into cooperative hands it would be easy to influence the productive activities of individual agricultural producers and gradually conditions might be created in which a further step forward, i.e., in the direction of cooperative farming, may be taken. To talk in terms of cooperative farming without thinking of these intermediate steps appears highly unrealistic.

It may be noted that in relation to the reorganization of agriculture no reference is made by the commission to the problem of unemployment necessarily resulting from any scheme of reorganization of production units. That reorganization of agriculture in more efficient units is impossible without making redundant a significant proportion of the people employed on the land today may be taken as axiomatic for most regions of India. It is therefore surprising that no reference is made to this central problem by the Planning Commission.

We may next turn to proposals relating to industrial production. Almost all large scale industries are left in the private sector. The programme of suggested expansion in this sector is said to be based on previous discussions with private industrialists. Presumably it reflects the judgments or expectations of leaders of industry in that sector. It is, therefore, not a programme drawn up by the Planning Commission, in relation to certain over-all objectives and trends determined by the Commission, but only a summary of what the private industrialists think may well happen during the next five years. Perhaps this curious species of planning is the only one possible in the Indian type of mixed economy. Even in these circumstances, the important question of how the expansion programme will, in effect, fructify has still to be faced.

There are two main aspects to the industrial development programme of the Planning Commission. There is, in the first instance, increase to be brought about through fuller utilization of existing capacity. In most existing industries, increased production, it is estimated, will result from the better use of present capacity rather than through an increase in installed capacity. It is obvious that this expectation could be realized only if extensive measures in such directions as the rationalization and standardization of production could be enforced by government on industry. There is no discussion in the report of the Planning Commission of the action required for the utilization of private capacity; regarding the powers of government there is only a reference to the Industrial Development and Control bill. The Industrial Development and Control bill, as it has emerged from the Select Committee, is an obviously inadequate instrument for the enforcement of a plan. The report of the Planning Commission contains the following statement of objectives:

"The system of private enterprises will have to be very different from that which now exists; industry will have to accept not only the objectives of social and economic policy but also its own obligations towards the worker, the investor and the consumer. Private industry will have to fit into the scheme of national planning equally with other sectors of national economy and will have to be so conducted as to satisfy the public at large that it meets social needs adequately and avoids misdirection of national resources as well as exploitation or corruption."

The Industrial Development and Control bill makes no provision for the over-all direction and regulation of the conduct of industry such as is required by this objective of the plan. According to the proposals of the Select Committee, government can undertake investigation of specific industries or undertakings only when they show a fall in production or deteriorating quality. Such investigation will be made by a Central Industrial Board and the steps that government is able to take will depend upon and be subsequent to a report of this Board. This dilatory procedure of limited application can prove useful only in cases of flagrant malpractices and mismanagement in individual units and cannot serve where a whole industry has to be reorganized. The experience of previous attempts at planned production in the cotton industry or management through consultation with industrialists of the affairs of the sugar industry cannot, in this context, be lightly disregarded. A Planning Commission which assumes that without adequate powers government will in the future obtain from industry a very different response from that in the immediate past cannot be considered to be very serious about its proposals.

Where proposals embodied in the report fall short of the essential requirements of a programme of attaining full capacity in production, it is obvious that in other respects there is even less guarantee of fulfilment of the plan. Essentially, government powers even after passing of the Industrial Development and Control bill will be negative. They may be able to prevent some misdirection of resources or some acts of gross mismanagement; there is nothing in them to support positive steps towards more rational or efficient practice and still less to enforce a detailed programme of private investment. The expansion programme in the industrial sector is thus no more than a hope or a wish. This may be fulfilled if conditions are favourable for the private entrepreneur and investor; on the other hand, there is at least an equal chance of its miscarrying.

The unrealism of the whole production plan becomes even more marked when the proposals for production planning respecting small scale and cottage industries is taken into account. The whole plan regarding the development of small scale and cottage industries is dependent on ability of government not only to direct the production of small scale and cottage industries but also to delimit the markets of these industries. Such delimitation involves control on the production pattern and quantitative performance of domestic and large scale industry and of imports in specific direction. There is nothing in the report of the Planning Commission to show that the Union Government or the State Governments will be given powers in this behalf or indeed to show that the Planning Commission considers any such powers essential for the fulfilment of its own plan. Reference may be made in this connection to the minute of dissent of Mr. Bishwanath Das to the report of the Select Committee on the Industrial Development and Control bill. Mr. Das points out how the Bill in its revised form may have the effect of actually limiting the powers of state governments in certain directions.

No reference is made in the report of the Planning Commission to policy relating to industrial prices. In so far as the Planning Commission depends on an integrated price policy as the chief instrument of directing production in agriculture, and presumably in industry also, it would have been expected that the Commission would discuss some of the more difficult problems of devising a price policy which could be effective for this purpose. The difficulties of determining relatives among even the more important agricultural commodities have been already mentioned.

The problem of industrial prices is even more difficult. Two major aspects of it may be indicated here. Firstly, there is the question of the relative price level of manufactured goods. A policy which is anti-inflationary would require that the level of prices of manufactured goods should be kept as low as possible and no increases be allowed except those which are demonstrably necessary, all increases in costs being, as far as possible, absorbed within the existing margins. Such was the policy followed during war in most countries whose economic affairs were well managed; and this is again being enforced in all countries where concern is being felt over possibilities of inflation following upon rearmament expenditure. Since 1947, the Indian government has deliberately followed an opposite policy. It has granted an increase in prices wherever a plausible case could be made for such increase. The truth of this assertion can be checked by the level of profits made, and the prices of industrial shares, in all industries the prices of whose products have been controlled. It may be argued that such a policy is dictated by a concern for providing adequate incentive to industry. If so, the two aims of policy will ever be in conflict; a dis-inflationary policy is not consistent with this view of adequate incentives. The second important aspect of the control of industrial prices lies in the relation of detailed production performance to price control. It is presumed that when the Planning Commission desires, for example, to increase the production of certain types of consumer goods in order to increase the consumption of specific classes, it is, therefore, concerned with particular types of products at particular prices. The example of the operation of price control in the cotton industry during the war has demonstrated the virtual impossibility of working this arrangement. In industrial production there is even much less guarantee than in agricultural production that specific targets in particular types of production would be attained through price control alone. This is only another instance of the Planning Commission not having thought out clearly even what it wants to do, much less how to attain it.

III.

The social effects of the Plan also merit careful consideration. The Planning Commission claims to have been guided by the directives set out in the constitution of the Indian Republic. It is necessary to see how far this claim can be sustained. Comment may be made on a preliminary defence that is likely to be offered. It may be argued that the first five year plan is in the main a production plan and that the planners will turn to specific social objectives after production has been significantly raised during the period of the first plan. The validity of such a distinction between a production and a distribution plan must be challenged. A production plan is necessarily based on a specific productive organization of society. A plan of development while increasing productive activity must necessarily strengthen important economic and social elements in the existing production structure. If, therefore, there exist strong vested interests, or dominant or ruling groups, in the production structure, a production plan which pays no attention to social or distributive effects will inevitably increase the economic strength and social and political power of the vested interests and the governing elements. The operation of such a production plan would make it not less but more difficult to frame and carry out a plan for attaining social objectives at the end of the period of the first plan. It is, therefore, essential that the social directives of the constitution are heeded during the period of each plan. This is apart from the consideration that no plan is likely to arouse the enthusiasm of the majority of the

population, which all planners desire, unless it is expected to and does make an immediate start towards the attainment of a more just and equal order in society.

The social effects of a plan of development will be made clear by considering the manner in which the increase of wealth and income brought about by the plan is distributed among the various classes and the various interests in society.

The Planning Commission remarks, in more than one place in the report, that the recent increase in agricultural prices has led to a diffusion of income over a wider sector in society. It is not clear what is meant by this remark or on what data it is based. If all that is meant is that during the last decade the relation of agricultural prices to industrial prices has become different from the relation which obtained during the thirties, i.e., during the period of the world depression, no objection may be raised against it. If, however, it is meant to convey the impression that the distribution of incomes in society has now been stabilised on a more equalitarian basis than some assumed norm of the interwar period, the statement obviously goes beyond any ascertained data that are known to me. Again the phrase "the diffusion of incomes over a wider sector" is capable of being misunderstood and is likely to mislead. As between two sectors, say, agricultural and industrial or rural and urban, the extreme position reached during the depression may have been corrected somewhat. This does not, however, mean that the results of the improvement of the position of the agricultural sector are themselves widely distributed either in terms of regions or of classes within a region. A readjustment of the comparative position between two sectors cannot necessarily be considered to lead to a wider diffusion of wealth and income over society as a whole. The Planning Commission has not made even a reference to the present pattern of distribution within the industrial or urban sector. The only reference to the phenomenon in the agricultural sector is the one mentioned above.

Some enquiries have been made in recent years regarding the effect of the rise in prices of agricultural produce on, say, the indebtedness of farmers. Most of these indicate that the real benefit of the rise has been reaped by farmers who had a significant surplus to sell and especially those who grew important commercial crops. This would indicate that substantially higher incomes are received by agriculturists only in some regions and that, even in those regions, the majority of the farmers do not benefit greatly. The ability to profit from the change in price relations is obviously dependent not only on having a large enough scale of operations but also on having the resources to exploit one's opportunities. The inability of the Commission to deal with the fundamental problem of the uneconomic holding has been commented on above. The other aspect refers chiefly to a policy relating to agricultural credit. The Planning Commission contents itself with a vague statement of abstract policy on this question. It entirely ignores the large problem of financing the rehabilitation of depressed areas and classes. It suggests nothing concrete even for the financing of the smaller body of creditworthy farmers. The question is not primarily one of organisation. Organizational experiments are already being made in some states. However if they succeed the problem of providing a very large volume of finance at a low rate of interest will have to be faced almost immediately. The resources of the cooperative movement cannot possibly expand rapidly enough for the purpose and the Reserve Bank can help chiefly in the field of crop finance. An integrated system of agricultural credit will require drawing upon the resources of all existing financial agencies and institutions. It is symptomatic of the present trend in Indian economic policy that thought should be now concentrated on subsidising private commercial banks and the Imperial Bank of India

to extend their activities in rural areas rather than on ascertaining how a cooperative-cum-state system could draw upon resources in private hands to finance agricultural industry in a systematic manner all over the country. The Imperial Bank has been helped in the past to expand its activities and currently holds large government funds. Nationalisation of the Imperial Bank is obviously an important and necessary step in building a countrywide system to finance agricultural production and marketing.

Indian rural society presents today a picture of a mass of uneconomic and poor production units that without help are unable to reap much benefit from the rise in prices. The benefit of an investment or development programme in such a society, will equally be unavailable to the large mass of poor producers, unless special efforts are made in that direction.

Not much study has been made, so far, of the evolution of economic and social patterns in areas which have, for example, been brought under command of major irrigation schemes. It would, however, appear that in these areas the benefits of irrigation tend to be concentrated among a smaller and smaller number of farmers unless special measures are taken to counteract the tendency. The Plan refers approvingly to the Bombay irrigation cess. The Bombay irrigation cess, however, is a purely fiscal device having been evolved with no relation to either the distributive or developmental aspects. It is to be compared to such taxation as betterment taxes in town development schemes. In a new irrigation scheme there is, in the first instance, the danger of land speculation, speculative buying up in advance of improvement, and necessarily ultimate concentration of wealth. The irrigation cess can have no effect on this except that of making a small owner even less able than otherwise to withstand a tempting offer. The other danger in a scheme of irrigation development is that unless it is accompanied by subsidiary and ancillary works, and by schemes of training the existing body of small producers in irrigated farming and of financing the increased cost of such farming, the bulk of such producers may be ousted by aggressive elements from outside; and this will have the effect of creating both the evils of concentration of wealth and also of special types of social conflicts. That an unplanned and unregulated development must ultimately lead to concentration and to conflicts has been clearly demonstrated in the areas under command of the major canals in the Bombay Deccan. One of the safeguards that the British Government adopted in this area to prevent the more extreme forms of concentration was to make water rights periodically revisable. The obvious intention was that small men who in the early stages of irrigation development were unable to take advantage of the water facilities either because of ignorance or lack of financial resources should later be enabled to do so. Recently, however, the Bombay Government irrigation department has become socially even more retrograde than the British. It has now become clear that the Government intends to treat present water rights as permanent vested rights, and it is learnt that on some of the major canals, where revision is due in 1952, the Government has refused even to entertain applications of old small holders of land who had not, in the past, acquired water rights. This is perhaps justified on the plea that the larger the farms the more is the production. This plea is not supported by any concrete data, such as that the average output of the sugarcane farmer with two acres under sugarcane is always lower than average output of a farmer with twenty times that acreage. However, even if, under existing conditions, this were so the acceptance of the plea would lead to a rapid elimination of the small farmer in favour of the larger. It amounts to saying that since the larger of the existing producers are the most efficient, all investment

and development expenditure must further add to the resources, strength and sphere of operations of these producers.

What it is necessary, however, to emphasize is that in all underdeveloped economies where lack of resources and ignorance are so widespread as they are among the majority of producers in Indian agriculture, a development plan is bound to result in increasing inequality of wealth and distribution even without a bias in favour of the rich such as is reported to have been avowed publicly by the Bombay Irrigation Minister. The experience of the *laissez faire* regime of the British period confirms this conclusion which one would expect even on *a priori* grounds. It was necessary to draw attention to this issue with some emphasis as there is nothing in the agricultural plan of the Commission which could counteract this strong inherent tendency.

The Registered Farmers would presumably be all large capitalist farmers who would get government assistance at the technical level and would obtain special supplies of materials. Obviously, therefore, their productive efficiency would be specially increased by government policy and government expenditure. How the increased income of these producers, which would presumably follow upon their increased productive efficiency, would be distributed is not made clear by the plan; except, perhaps that they would be expected to sell the bulk of their produce to the government at, presumably, normal prices, otherwise nothing is suggested. It would be noted that public investment in the five year plan is largely concentrated in irrigation projects and that the direct effect of these irrigation projects will be confined to very limited areas. In these limited areas the major benefits will be derived by a comparatively small number of specially advantaged people. As pointed out before, the plan makes no reference to marketing and processing activities, which are to a very large extent in the hands of private persons, who are the other major exploiters in the rural sector. The plan leaves this aspect of the matter entirely outside its consideration. In the agricultural sector, therefore, it can be said entirely to ignore social objectives and to be content with the continued operation of present trends which make for increased inequalities of distribution.

It has been indicated above that the use of electric power generated by the multi-purpose, etc., schemes has not been planned. To the extent that the power is used privately for irrigation and other agricultural purposes it will benefit the bigger farmers who alone will be in a position to afford it. In the field of industry increased electric power may serve social objectives only if it is deliberately used for dispersal of location of industry or for encouraging smaller units. This could be achieved if, not only were there a previous detailed plan of industrial development and location related to schemes of generation of power, but also if the specific measures indicated above for the demarcation of the field of small industry are taken.

In the matter of location nothing whatever is said in the Plan. It is presumed that some action in accordance with the plans prepared by Industrial Panels may be taken. But it is clear that the Planning Commission has paid no attention to the serious social and economic problems created by such overgrown centres of industrial location as Bombay and Calcutta. State governments have taken no action in these matters so far and it would, in fact, appear as if the Bombay Government's policy is to encourage a further growth of industrial activity in the vicinity of Bombay and even to divert water resources which could be employed for maintaining a green belt of vegetable and fruit farming round it to industrial uses. The high social costs

of this policy are reflected in the housing situation in these concentrations of population; and the only large new expenditure indicated in the plan on social objectives is that on industrial housing in the large cities. Estimation of the dimensions of the problem of industrial housing today makes clear how the expenditure of even large sums could not create much of an impression on the existing situation, that the only radical remedy is not only to stop the further growth of existing concentrations but also to see to it that there is an immediate diversion of population away from the largest centres, to localities in which conditions of life would be healthier and housing facilities could be provided much more cheaply.

The increased generation of electricity in the absence of a deliberate plan of dispersal is likely to increase concentration of location because the new power will be most readily absorbed in existing centres of industry. Without state help and regular direction regarding location, i.e., without a detailed plan of industrial location which is capable of being properly implemented, generation of further power will help only to increase concentration. It is notorious that in the absence of regulation, or direction, private enterprise naturally prefers location in the biggest centres, and that the private entrepreneur class, as a whole, never undertakes deliberate development of backward areas, as from their point of view the returns to the private investor in these cases are ordinarily not attractive. The absence of a plan of industrial location and of the development of backward areas is another important gap in the five year plan.

By neglecting to pay any attention to this aspect of the problem the plan helps to continue the present trends of concentration of economic power and the continued increase in the riches of those classes and regions who are already comparatively richer. This trend is made most clear in the attitude of the Planning Commission towards private industry. All large scale industry is to continue to remain in the private sector. At the same time, all existing plans of state aid by protection, allocations, subsidies, etc., to promote the growth of private industry will continue. In addition the plan makes provision for the supply of large funds, by the state directly or through semi-official corporation, to enable the largest industries to expand production and improve efficiency. It is one of the curiosities of the outcome of recent official policy that the state, which since 1947, has been giving continuous relief to industry and to the income and supertax payers, presumably, to aid further investment in industry, the biggest and the most central schemes of expansion of industry nonetheless still have to fall back on the state for investment capital. It would also be interesting in this connection, to calculate the extent of the tax-relief the state has given in recent years and the results that this has had in terms of additional investment. Such calculations are necessarily complicated and cannot be made without information which could be made available only from official sources. Proceeding, however, merely on the estimates of loss due to concessions that successive Finance Members have made in their budget speeches each year and allowing fully for increased taxation during the current year, it would appear that the net relief in concessions would amount today to at least Rs. 20 crores per annum and may have been almost Rs. 30 crores last year. This sum may be set against the Rs. 15 crores per annum which the capital market is reported to have raised in recent years and the Rs. 125 crores which is estimated to be the total cost of the programme of capital expansion in the five year plan. It would be not far wrong to say that if the state had kept up taxation at the level of the 1947-48 budget it could have built up a fund for industrial investment roughly of the same order as the investment that is expected to take place in the private sector of industry in

the five year plan of expansion. And in this case, of course, the direction of investment could have been fully controlled and its fruits accrued to public revenues. The insistence on the retention of the whole sphere of large scale industry in the private sector is difficult to understand in view of these facts regarding investment finance available for large scale industry from that sector.

The continuance of the private sector is apparently not justified by performance. More importantly it results in continuously increasing unequal distribution. A glance at the industrial growth of India during the last thirty years makes clear how almost every industry has grown through support, direct and indirect, from general revenues or by shifting burdens on the general consumer. In terms of distribution of income and wealth in society the process of industrial advance, which was largely the result of state policy and social sacrifice, has meant an increasing concentration of wealth and income in the hands of restricted groups, and a limited number of individuals. This policy is evidently to be pursued through the five year plan. When the Government lends money for industrial expansion to a private concern, or helps to build up or reform particular units by special technical assistance or other aids, it is, in fact, increasing wealth in private hands through expenditures and costs which are borne by the public at large. There appears no justification for this procedure. It is indeed doubly inequitable; it not only artificially increases the present income earning capacity of particular individuals or classes at the cost of the general public but also later, when the possibility of acquiring any of these concerns by the State arises, it will have, by present policy, increased the capital compensation that the general public (which has helped to build up the concerns or units) will be called upon to pay. Whatever might have been the justification during the British period for supporting such policies as tariff protection without any safeguards for the public interest, present and future, it no longer holds. It is clear that either industry has to be increasingly nationalised or, at least, to the extent that in any sphere in which industrial units continue to receive assistance (directly or indirectly) this must be accompanied by suitable conditions both as regards their present incomes and future compensations.

The spheres in the Indian economy today in which large incomes and opportunities for considerable capital formation arise are strictly limited. These are the fields of large scale industry, finance and trade. It is in these fields specifically that government postulates the necessity of private operation. Obviously, therefore, all talk of social objectives in the plan is futile.

There is some reference in the plan to the possibility of state trading in certain sectors; but the reference is vague and the performance of government, so far, in such cases as oil seeds and jute, provides no hope that any radical action in this regard will be taken. There is obviously a clear case for a government export monopoly in certain important export industries. This is supported by action taken in many underdeveloped economies. It is also the only possible method of enforcing a proper price policy for commodities whose prices on the international market are liable to wide fluctuations. However, though this view has been pressed on government by various Boards and Committees since 1947 it has found no favour and the five year plan despite vague references to possible state trading, formulates no specific, concrete proposals.

To sum up, the existing distribution of wealth in our economy is very uneven and a small number of people in each sector are placed in strategic positions; it is these

who stand to benefit most from any large public investments leading to economic development. Large public investments, in such circumstances, lead to all sorts of unearned increments; these accrue to a few and, whatever the increase in national product that is brought about by the investment, it is distributed in an even less just manner than before. This tendency could be counteracted only if special precautions are taken in the plan of public investment itself. These precautions could be (1) limiting, by legal action, the existing rights of private property (see above, for a discussion of this point in connection with agricultural development); (2) providing in the investment plan itself for the dispersal of investment or of the effects of investment; or (3) a fiscal policy designed to redistribute increased incomes.

Point (1) is too radical to be considered by this Government and (2) has not been provided for in the plan. Fiscal policy for social redistribution would have two aspects: (1) taxation and (2) expenditure in relation to tax income. The plan makes clear that no burdens heavier than those now existing are to be laid on the rich. The only redistribution measure specifically included in the plan is the suggestion for the imposition of death duties. This is a hardy perennial and whenever it is implemented would require a number of decades before its distributive aspect could really become prominent or effective. From the fiscal point of view there is thus no corrective to the inherent inequitable tendency of the plan. There is nothing also to indicate, on the expenditure side, that the plan may lead to a correction of social inequality by any measures of state regulation or expenditure. The plan contains a section on what are called social services; almost the entire expenditure under this head is merely the summation of current expenditures already undertaken or planned by state and central governments on such services as education and health. Even for these there is no indication of a new policy or a special redistribution of the effects of expenditure. None of these expenditures are, for example, of the type that may be termed transfers (i.e., either through measures of social security or through subsidising of particular activity or product) making for an indirect increase in the income of the poor. A possible exception is the expenditure on industrial housing. I have already indicated, however, that this expenditure is of doubtful social use. As a matter of fact, it is possible to argue that such expenditure, by making possible the continuance of location of industry in congested areas (which only benefits factories owned by industrialists in these locations) is in the long run actually inequitable.

In the other direction, it may be pointed out that the whole fiscal policy underlying the plan is one that makes for increased inflationary pressure. The policy of controls and state powers outlined in the plan is not such as to hold these pressures effectively in check. Therefore, in addition to the other trends which flow from the plan a continuous inflationary movement may add further inequality on the distributive side. A reference may be made here also to the absence of a foreign trade plan. It has been suggested that that plan is still in the making. It is important to note (on the distributive side) that in England the increased standard of living of the poor and decreased standard of the rich was brought about largely through controls of exports and imports. No such policy seems to be contemplated in the five year plan, so that the standards of consumption of our rich will not even have the ceilings that are current for the same class in England.

It may finally be permissible to question whether the "Plan" could be at all properly called a plan. In the main, it is no more than a compilation of existing and expected plans of public investment, chiefly in irrigation and transport, by cen-

tral and state governments, put together on the basis of no clear criteria. In the field of industry the "plan" presents only a resume of discussions with private industrialists. In other spheres it primarily indicates existing expenditure, objectives and levels on the part of state and central governments. The production figures contained in it are not the results of any detailed calculations by regions or sections but are merely average calculations of the sort made familiar by the Grow More Food campaign. Nothing is suggested in the plan which will see to it that production targets will be fulfilled either in the sphere of agriculture or large scale industry. In relation to trade and small scale industry it contains no more than vague generalizations.

The plan effectively ignores all problems of social policy and does not elaborate or even deal adequately with the problems of price policy which are supposed to be the main operative instrument. Thus in all important respects, in coverage, in concreteness and in degree of integration it falls far short of what may properly be expected of a plan of economic development.

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APPENDIX

Postwar Reconstruction, Bombay Province, 1944. Irrigation Schemes (Central Division). (Area likely to be brought into irrigation.)

	<u>Acres</u>
1. Vir Dam Project	34,000
2. Khadakwasla Project	42,000
3. Gangapur Dam	25,000
4. Firna Project	110,000
5. Mutha Project	76,000
6. Tisangi Tank	7,200
Six other small tanks mentioned.	

Postwar Reconstruction in Bombay Province. Revised Five-Year Plan. 1947. Revised programme of major irrigation works (Central Division). (Area to be irrigated.)

	<u>Acres</u>
1. Vir Dam Project	90,000
2. Khadakwasla Project	42,100
3. Gangapur Dam Project	61,000
4. Girna Project	
5. Mutha Project	
6. Tisangi Tank	7,200
Ten other smaller projects listed and four other major projects mentioned, which had not been fully investigated.	

The Planning Commission; first five year plan for the region of the Central Division of Bombay Province. (Additional area on completion.)

1. Gangapur Storage Project 38,000 Acres.

Note: The unreal notion of financing irrigation works by raising local capital will further result in concentrating works in areas already rich or developed.

FOREIGN TECHNICAL ASSISTANCE IN ECONOMIC DEVELOPMENT
IN A NEWLY INDEPENDENT COUNTRY:
SOME OBSERVATIONS IN INDONESIA*

Indonesia is making gradual though appreciable progress in solving its pressing problems of rehabilitation and readjustment, after the destruction and disruption brought about during nearly a decade of occupation and fighting. The economic, social and political problems faced since the transfer of sovereignty (in December 1949) have been great, and the need for their solution urgent. Most observers have been greatly impressed by the Indonesian Government's success in navigating the stormy seas of the past two years.

On the economic front, considerable financial assistance has been obtained from abroad during this period. (1) In the field of governmental administration also, Indonesia has drawn heavily on foreign resources. It is fair to state that the Indonesian Government could only with the greatest difficulty, if indeed at all, have carried on the minimal functions of government during this period if many former Dutch colonial officials had not remained at their posts. In most cases, their status was established in an agreement between the Indonesian and Netherlands Governments, under which the new Indonesian Government took over the unexpired contracts of Dutch officials, for a period of two years after the transfer of sovereignty. In addition, a considerable number of new contracts were made for Dutchmen, both with and without colonial experience, to serve the Indonesian Government, mostly for periods of two or three years. Under one arrangement or the other, there were about 4,000 Dutch citizens serving the Government in various capacities at the end of 1951. It is expected that many of these contracts will be renewed, probably for considerably longer periods, and that the Dutch contract employee will be a feature of the Indonesian Civil Service, particularly in the middle grades, for many years to come.

* These observations were made by a foreign official stationed for a considerable period in Indonesia. They are strictly personal, and in no sense represent an official or semi-official expression of views.

- (1) The United States has made available both loans and grants. Before the transfer of sovereignty, ECA provided a grant of \$114 million and a loan of \$15 million, although many deliveries under this aid program actually occurred in 1950 and 1951. ECA also provided grant aid totalling \$16 millions for the two US fiscal years 1951 and 1952. The US also made available in 1946 a \$100 million line of credit for the purchase of surplus property, of which \$62.5 millions have been utilized and the rest terminated. The Export-Import Bank in February 1950 established a \$100 million line of credit, under which specific projects totalling \$62 millions had been approved by the Bank by late 1951. Although no money had actually been drawn by Indonesia by that date, many orders had been placed and some equipment shipped. In July 1950, the Netherlands extended a loan of 280 million Netherlands guilders (equivalent to about \$74 millions). Loans were also extended by Canada in 1945 (equivalent to \$14 millions) and by Australia in 1949 (equivalent to \$19 millions). In contrast to the Export-Import Bank loan, almost three-quarters of the Dutch loan has been drawn while the smaller Canadian and Australian loans have been drawn in their entirety. Indonesia has not applied for membership in the International Bank and the International Monetary Fund, and hence is not eligible for International Bank loans.

It was recently reported, moreover, that the Indonesian High Commissioner's Office (the equivalent of an Embassy) in the Netherlands had a list of some 2,000 positions for which it was attempting to recruit qualified Europeans, including Dutch.

There have also been a number of experts requested by the Indonesian Government and a few made available to date by various international organizations and by ECA. Nineteen foreign experts (not counting those engaged in brief survey missions) have been made available by various international organizations (WHO, FAO, ICAO, ILO, UNICEF, UNESCO, UNTAA, UN Department of Social Affairs). ECA has made available the services of 25 experts (all Americans but one) under contract arrangements or by loan to the Indonesian Government. (2)

What economic and social problems, of a short-term or long-term character, today face the Indonesian Government, and what extent and kind of foreign technical assistance does it desire in trying to solve these problems?

Indonesia today still faces pressing short-term problems, more or less peculiar to itself, along with long-term problems similar to those faced in most of the underdeveloped countries of the world. Like many other countries, it is deeply concerned about the long-term problems of educating its people, building up its capital assets, increasing its productivity, diversifying its industry, broadening and strengthening its governmental services, redistributing its population (from overpopulated to underpopulated areas within its own national boundaries), developing an Indonesian entrepreneurial class, improving health and standards of living, unifying its country, and developing a broad and effective participation by its people in the political process. In approaching these problems, many Indonesians seek to draw upon the experience and talents of foreign experts. Most of the discussion which follows will be concerned with foreign technical assistance in connection with such long-term development. Some attention will first be given to Indonesia's short-term problems and to the need for foreign assistance in dealing with them.

In speeches and articles advocating international assistance in the economic development of underdeveloped areas, there is frequent mention of "the ferment among the people, who are clamoring for a better life," or the "political deterioration that will inevitably result from widespread disillusionment of the high hopes of newly independent people for a rapid rise in their standard of living," or the "revolution of rising expectations." Without question, such phenomena do exist in major underdeveloped areas. They may be widespread in some areas, especially where land tenure arrangements or feudal governments are associated with intolerable living conditions and permit ready identification of the parties presumed to be responsible for such conditions.

In Indonesia, the most important "ferment" has been a ferment of nationalism. This still retains some of its emotional content, though attenuated by achievement of most nationalist (primarily negative) aims. There is also, among small groups,

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- (2) In addition, some 400 opportunities for study and training abroad are made available each year by various international organizations, as well as by the United States (through ECA and USIS), the Netherlands, several other nations and many private organizations. This aspect of technical assistance will not be discussed below.

evidence of politico-economic ferment. Among intellectuals of various political persuasions, there is talk about such a ferment being widespread, and there is apparently a genuine awakening and stirring among the village people, who comprise probably eighty-five per cent of the population.

This seems, however, to be an evolutionary, not a revolutionary ferment. People are eager for education, for themselves and for their children. Literacy campaigns, therefore, sweep the country. People are hungry for news, particularly about the outside world. They are insatiably curious about other peoples, other customs, other cultures. It is a quickening of the mind, a firing of the imagination, not a revolt against oppression and misery, that makes their blood race.

Indonesians do not feel oppressed. Few of them consider that they are miserable. When given an opportunity to "transmigrate" to underpopulated and agriculturally suitable areas in Sumatra and Celebes from heavily overpopulated Java, few villagers feel themselves so badly off that they are willing to leave their own communities, however overpopulated these may seem to the outsider. Foreigners who visit villages (even making full allowance for unsophisticated and superficial observation) report that the villagers themselves are primarily concerned with their traditional local economic and social activities, find their conditions of life tolerable and in some areas relatively good (visitors who have seen China and India and expect Indonesian conditions to be comparable are always impressed with how good, by comparison, these conditions really are), are unconcerned about national or international politics, are friendly to foreigners who treat them with friendship and respect (although their experience with Dutch makes them very doubtful that any Westerners will so treat them), and are loyal to their community or region. They do not identify themselves with the Indonesian nation nor have much interest in the central government in Djakarta, except as a convenient whipping-boy when local governmental services are hampered by central government in efficiency. Inflation (which was strong but has mainly tapered off) probably helped as much as it hurt the rural population, much of which is self-sufficient. Law and order, and a reasonable measure of effectiveness in government services, have returned to great areas of the nation. It is probably fair to say that popular disaffection and the possibility of political turmoil are considerably less today than they were a year or two ago.

If the Indonesian Government is not faced today with a revolutionary ferment arising out of the inadequacy of present living and working conditions, what are its major short-term problems? Apparently, they include: insecurity, mainly in West Java and Celebes, and conditioned mainly by factors of political and personal readjustment, not by economic factors; sharply reduced labor productivity among wage workers, mainly in estate agriculture, industry, transportation, and oil production; the high cost of rice, resulting from domestic and world shortages, and from local hoarding; some unemployment, resulting from insecurity and low labor productivity; Communist control of the larger part of organized labor; shortage of capital available for private domestic investment; harbor congestion; rural shortages of consumer goods, farm implements and supplies, resulting from insecurity, hoarding and harbor congestion; and severe housing shortages in major cities.

Some of these problems have such strong political overtones that the Government prefers to handle them with little or no outside assistance. Some financial assistance has, however, been requested from ECA (both dollar aid and counterpart funds), from the United States military aid program, and from the Export-Import Bank, in connection with the Government's efforts to strengthen the civil police, resettle

demobilized soldiers, improve transportation and relieve harbor congestion, stimulate private capital investment, distribute hand tools, fertilizer and medical supplies to rural areas, and build low-cost housing in major cities. Technical assistance from UN and ECA has been utilized in connection with the short-run problems of resettlement of demobilized soldiers, transportation and harbor management, and housing.

If the Indonesian Government is not faced today with a revolutionary ferment, does this mean that it can disregard the pervasive desire for more education, for better health, for a greater return from a day's labor, that is stirring the hearts of millions of Indonesians today? Certainly not, particularly as it desires to move toward a fully functioning representative democracy. The people certainly want a better life, and as time goes on they will want it more insistently, and with a clearer picture of what they want and what they ought to get. The Indonesian Government is fully aware of this, and feels very keenly its responsibility to plan for, and to bring into being, progressive economic development that will be able to support a far fuller life for its people than is possible today.

The concept of international technical assistance in economic development now has a very respectable status. It was given great publicity and impetus by the President's Inaugural Address of 1949, and was accorded the almost unique distinction of a unanimous vote of approval by the General Assembly of the United Nations, in November, 1949. There is a widespread (though sometimes naive) belief in the desire of underdeveloped countries for foreign technical advisors, and in the efficacy of such advisers in unlocking great resources of productive energy among the inhabitants of such countries. Moreover, because the populations of underdeveloped countries are predominantly rural and their economic activities mainly agricultural, it has become somewhat the mode to stress the importance of foreign technical assistance reaching "the village level," with the purpose of improving rural methods of production (as well as health, nutrition, etc.). Examples of medical or agricultural missionaries are sometimes given to illustrate what is conceived to be the most effective and valuable type of foreign technical assistance. The building up of agricultural and medical extension services is allotted top priority, and a search is made for technically competent foreigners who will live at the village level and themselves act as extension agents in demonstration areas.

There is no question about the great importance, especially for future development, of the rural, agricultural population in Indonesia. In considering programs of foreign technical assistance to Indonesia, however, it is important to consider just what kinds of technical assistance activities affecting village life are needed, feasible and acceptable.

Unlike many Asian countries, Indonesia has had fairly well-developed agricultural and public health extension services for many years. These reach a substantial proportion of the village population. They were much appreciated before the war. Today, they are short of good people and have been forced to put inadequately trained people into middle and even top jobs, with the result that the central government is now criticized for its inability to provide the quality of service achieved by the Dutch. Moreover, one weakness of these services in the past apparently was the wide gap between the highly-trained Dutch agricultural research scientists and the very low level of education and technique among Indonesian villagers. Partly because of this gap and partly because the Indonesian villagers rarely had the resources or the scale of production necessary to utilize effectively the Dutch research, the latter often was more useful to estate production than to small holder or subsistence agri-

culture. There is some indication, moreover, that new Indonesian officials have unconsciously adopted some of the Dutch colonial attitudes on the hierarchy of agricultural research, education and extension, which were separated by the Dutch rather than integrated as in America.

There is a great need today to train personnel in the middle and top ranks of these services, to strengthen their organization and administration, to integrate their research and education with their extension work, and to supply their laboratories, training institutions, community centers (called BPMD's) and field agents (called mantris) with research and teaching staff and equipment, with teaching, demonstration and extension materials and audio-visual aids, with transportation equipment, etc. For example, an economical and particularly effective form of commodity assistance would be providing bicycles for mantris, of whom only twenty per cent in some districts own bicycles.

Is there, however, a great need for hundreds of UN, US and other foreign technical personnel to go to Indonesia and work at the village level in the Government's extension services?

There is, of course, considerable value in the agricultural or medical missionary type of activity as a method of forcing foreigners to understand local problems and adapt their "improved" techniques to cultural and economic realities; and perhaps in convincing the government and a (relatively) small group of people of the sincerity of individual foreign technicians. There is also value in demonstration projects at the village level. However, while such demonstration projects, temporary assignments in villages and frequent visits to review problems and projects are highly desirable, foreign technical assistance can ordinarily reach and aid villages most effectively, economically and acceptably if it is carried on without assigning numerous foreign personnel to live in villages. It is certainly doubtful that foreign countries have enough available technical experts to afford to assign them as county agents who will spend the majority of their time working directly with villagers. That is spreading one's self too thin. The magnitude of the task of reaching 75 million Indonesians (70 per cent farmers and 93 per cent illiterate) in this way is appalling. Great difficulties are posed by the language barrier, differences in scale of living, and unsuitable accommodations for families. But the most fundamental objection to assigning foreigners to work in villages is that no outsider should attempt to do the government's job for it. What must be done is aid the government to do its own job. Indonesian responsibilities must never be shifted to other shoulders. Foreigners should strengthen and increase the Indonesian capacity to run their own government services, not run their services for them, and certainly not staff their extension services with foreigners at the county agent level.

Ideally, foreign experts should be training Indonesians who will carry Indonesian responsibilities, or training Indonesians who will train more Indonesians, or helping Indonesians plan their development and build national organizations that will carry out development projects or that will engage in training and otherwise diffuse technical knowledge widely. In this way foreign efforts are multiplied, and responsibility for execution stays where it belongs. Commodities supplied from abroad, likewise, should be used for demonstration and for strengthening institutions, organizations and government services in ways the government cannot or will not yet do. Foreign financing of commodities should not simply relieve the government of financial expenditures it would otherwise make itself.

Most of the above exhortation is, however, pointless in Indonesia, for it presupposes a warm welcome for aid or even a desire to shift responsibility to foreigners. By and large, this desire does not exist here. The people are personally friendly and charming, but they have just sloughed off one group of supervisors, and that group was far larger and more competent to handle Indonesian economic development than any other foreign group likely to be put in the field. Indonesian officials, from the extension agent in the village right on up to the top, are standing on their own feet and don't want to be pushed aside. They welcome the commodities, equipment (especially transportation) and counterpart financing that have been provided by the United States -- at least all of them do who aren't affected by the sophisticated fear of identification with America they think will result from accepting any American aid. (This fear is pretty much limited to governmental and intellectual groups in the big cities, especially Djakarta, but is quite influential on over-all government policy and itself substantially limits the possibility of cooperation with American experts.) But even where no fear of involvement in the cold war exists, there is a reluctance to utilize foreign experts widely. Indonesian officials display a touchiness about prerogatives, prestige, self-esteem that is a hyper-reaction against the former authority of foreigners, heightened by a frequent sense of insecurity arising from feelings of personal inadequacy for the jobs held. Indonesians have so long been made to feel inferior that subconsciously they half believe it's true. Now they're trying to prove they are the equals of anybody, which is hardly conducive to welcoming more foreign advisers. One Indonesian official recently asked a UN official, "Why can't you people let us make our own mistakes?" (Question: How many foreign advisers do the governments of "developed" countries have?)

As a consequence, most government officials do not want Westerners in the villages at all. They will often accept ideas in private, but do not want to appear in public as the students, advisees, or tools of any foreigners.

The worst of it is, scores of Western advisers have already come here since independence, either with ready-made advice or at least quite ready to write a long advisory report after a few months' survey. They haven't been a howling success. It is true that there aren't enough trained technicians in Indonesia, but among the ones they have are some of the best in the world. Moreover, they've spent their lives studying Indonesian problems. There are few foreign experts, especially in the temperate, highly-industrialized countries of Europe and North America, who can come up with better ideas about public health, agriculture, and irrigation than the Indonesians already have. Foreign experts can help Indonesians demonstrate what can and should be done, but must, in general, themselves first learn from Indonesians what can and should be done in the above fields. Of course, in transportation, power and industry, Indonesia is really behind the US and Europe and needs top advisers urgently. In any of these fields, however, resistance to foreigners -- especially Americans -- comes from many remaining Dutch advisers, many of whom still have much influence.

The foreign personnel most needed in Indonesia are of two kinds. First, top flight executives, administrators, organizers and management experts are critically needed. They would be useful as trainers, if one can train someone else in that sort of activity. But they would probably be given little operating responsibility, for the reasons pointed out above. Second, technical personnel are needed to fill out the whole middle range of technical positions within the civil service, either permanently or until Indonesians can be trained. Such personnel face severe lang-

uage handicaps and have to be extremely tactful in suggesting new ideas to their hypersensitive superiors. The government is most interested in young technicians who will come here at modest salaries, and who will spend their whole professional lives here.

The language barrier has been mentioned several times above. It is particularly acute in Indonesia, where a foreign expert really should know both Dutch and Bahasa Indonesia, the former in order to carry on technical discussions, read reports, and the like; the latter because of the hyper-nationalistic drive to develop and utilize a characteristic national language. What happens when an expert does not know these languages? The government must assign to him as an interpreter one of the few local officials who knows a language spoken by the foreign expert. This often means tying up a person of considerable responsibility, for it is primarily such persons who have the vocabulary to participate in technical discussions in a foreign language. The Minister of Public Health summed it up neatly when he pointed out, "There are only 700 doctors in the Indonesian Public Health Service. For each foreign expert brought here, one of these doctors, often one of the most experienced, must be assigned as interpreter, for other interpreters could not handle the technical terminology. Thus, if 20 foreign doctors are brought here, the result for the first year or two is a reduction by 20 in the pitifully small public health corps. Moreover, by the time the foreign experts learn the language and can supplement our own doctors, the experts are anxious to go home and resume their regular careers."

Pay scales are also a problem. This is not primarily a matter of foreign exchange, salaries, and separation allowances, as these can be kept fairly confidential and in any case are not a charge against any Indonesian budget; but the quarters allowance, plus cost of living differential allowance, plus standard per diem while away from official station, plus miscellaneous reimbursable personal expenses, add up to rupiah payments likely to exceed the total compensation of any official of the Ministry with which the expert may be working. An American FSS-1 expert with wife and two children will receive quarters and cost of living allowances that alone total more than 2,100 rupiah a month, as compared with the top pay and allowances of 1,800 rupiah a month paid to the Minister of Health! A foreign expert needs to be pretty outstanding to justify, in Indonesian minds, a rupiah compensation of this magnitude. This problem is even more acute for UN experts, who receive free furnished quarters plus rupiah expenses paid by the Indonesian government of 1,320 rupiah per month while at official station (if they have dependents) and a per diem of 72 rupiah per day plus board and lodging while on official travel in Indonesia.

Housing is another barrier to the use of foreign technical experts. Such experts frequently wish to bring their families with them. Suitable accommodations for European families just do not exist at the village level, and are extremely hard to obtain even in the major cities, all of which are desperately overpopulated for existing facilities -- partly because of normal growth during a decade of very restricted housing construction; also because of the movement of people from some rural areas to escape the insecurity and the shortages of consumer goods; also to escape the unemployment in some areas, particularly where sugar estates and other Dutch-owned or managed estates are now idle. A substantial number of Indonesian government officials are themselves leaving government service because they have been unable to find housing in Djakarta, and their requirements are much more modest than the requirements of foreign experts. So far, the Indonesian government has done almost nothing to help foreign experts get housing, partly of course because

foreign experts want houses as good or better than those supplied Cabinet members, and partly because there are so few houses becoming available, so many claimants, and relatively little government experience in handling this problem. It is noteworthy that the government has proposed using R. 2,000,000 of counterpart funds to build twenty houses for foreign experts.

The last major barrier to the use of technical experts, particularly at the village level, is the widespread insecurity. This occasionally invades even the big cities, and in wide rural areas it effectively prevents even daytime trips without heavy guards, quite ruling out the possibility of living and working at the village level in those areas. One troublesome feature of this insecurity, furthermore, is that it shifts unpredictably from area to area, and it is therefore difficult to identify large areas that are reasonably secure, although Bali, East Java, Borneo, and a good deal of Sumatra are relatively quiet now. An area considered secure today may be very dangerous tomorrow. Not only does this put severe limits on the extent of village study and operations in which foreigners may want to engage, but it naturally makes the government reluctant to allow foreigners to visit rural areas. It would give the government a black eye at home and abroad to have foreign experts harmed. Westerners of any nationality are easily mistaken for Dutch, and in any case their cars, watches, wallets, etc., are likely to be rich booty. It is not surprising that Indonesians can work in many villages where Westerners just cannot go.

To summarize, the reluctance of the government to request technical assistance personnel is based upon a combination of personal prestige, a desire to run their own affairs and to prove to people that Indonesians themselves can run their own affairs; some suspicion of foreign intentions; Dutch resistance; some fear of too prominent identification of Indonesia with the US; unsatisfactory experience with touring and/or short-visit experts; a feeling that the government already knows what needs to be done in major fields such as agriculture and public health and simply lacks the middle and lower-level technicians (or funds) to carry out approved plans; language difficulties and the shortage of interpreters to help technical experts; the relatively short periods foreign experts will agree to stay in Indonesia; what the Indonesians regard as the fantastically high pay scales (both in dollars and in rupiah allowances) for UN and US experts; the shortage of housing, even for Indonesian officials; and widespread insecurity. Some of these barriers are being chipped away, and requests for technical experts are expected to increase substantially by the 1953-5 period, but it would be a mistake to expect an Indonesian welcome at any time in the next few years for large numbers (say more than a hundred) of highly-paid, two-year-stay foreign experts, who come out as US government or UN employees, with diplomatic immunities, modern cars, big houses (by Indonesian standards) and lots of the answers. Note that these barriers are not mainly the result of lack of experience with foreign technical advisers. Indonesia has, on the whole, had too much experience with foreigners with great technical competence. Indonesia knows what kinds of technical experts are needed and will get along best and will be most valuable here. Only infrequently are American or UN technical experts the kind that Indonesians consider they most need.

Indonesians want experts who will work rather than advise. The work they consider most suitable for foreign experts is neither at Cabinet nor village level, but is at intermediate levels in Ministries, provincial governments and research institutions. In general, these are regular civil service positions, not particularly suitable to American and UN experts who are transitory, don't know the language, and are costly.

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